

REPORT OF THE AUDITORS TO THE MEMBERS OF LION INDUSTRIES CORPORATION BERHAD

We have audited the accompanying balance sheets as of 30 June 2005 and the related statements of income, cash flows and changes in equity for the year then ended. These financial statements are the responsibility of the Company's Directors. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility towards any other person for the content of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the abovementioned financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia so as to give a true and fair view of:
 - (i) the state of affairs of the Group and of the Company as of 30 June 2005 and of the results and the cash flows of the Group and of the Company for the year ended on that date; and
 - (ii) the matters required by Section 169 of the Act to be dealt with in the financial statements and consolidated financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and auditors' reports of the subsidiary companies, of which we have not acted as auditors, as mentioned under Note 47 to the Financial Statements, being financial statements that have been included in the consolidated financial statements.

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements, and we have received satisfactory information and explanations as required by us for these purposes.

The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification and did not include any comment made under Sub-section (3) of Section 174 of the Act.

DELOITTE KASSIMCHAN
AF 0080
Chartered Accountants

KEK AH FONG
1880/4/06 (I)
Partner

Petaling Jaya,
5 October 2005



INCOME STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

	Note	The Group		The Company	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Revenue	5	3,965,156	3,637,868	30,032	20,584
Other operating income	6	17,512	7,402	267	22,148
Net changes in inventories		101,313	50,044	-	-
Raw materials and consumables used		(3,123,129)	(2,304,870)	-	-
Purchase of trading merchandise		(123,474)	(282,792)	-	-
Contract costs recognised		(1,837)	(985)	-	-
Property development expenditure		(16,115)	(19,961)	(137)	(2,845)
Staff costs	6	(173,799)	(193,835)	(4,946)	(4,070)
Directors' remuneration	7	(951)	(1,646)	(828)	(695)
Depreciation of property, plant and equipment	13	(132,621)	(152,851)	(3,139)	(2,949)
Amortisation of:					
Forest concessions	15	(10,796)	(10,796)	-	-
Expenditure carried forward	22	(2,094)	(10,126)	-	-
Negative goodwill		35,056	38,613	-	-
Goodwill	23	(19,985)	(20,117)	-	-
Other operating expenses	6	(184,847)	(365,696)	(11,430)	(8,025)
Profit from operations		329,389	370,252	9,819	24,148
Finance costs	8	(140,011)	(153,906)	(35,584)	(38,329)
Share in results of associated companies		214,557	8,783	-	-
Income from other investments	9	39,370	34,042	27,835	23,323
Loss on disposal of investments for debt settlement	10	(47,044)	-	-	-
Gain on disposal of subsidiary companies	18	-	314,606	-	-
Profit before tax		396,261	573,777	2,070	9,142
Income tax (expense)/credit:	11				
Company and subsidiary companies		(47,883)	(94,337)	4,048	(2,947)
Associated companies		(13,152)	(4,052)	-	-
Profit after tax		335,226	475,388	6,118	6,195
Minority interests		(7,661)	(139,164)	-	-
Net profit for the year		327,565	336,224	6,118	6,195
Earnings per ordinary share	12	47.6 sen	49.5 sen		

The accompanying Notes form an integral part of the Financial Statements.



BALANCE SHEETS

AS OF 30 JUNE 2005

	Note	The Group		The Company	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Property, plant and equipment	13	2,173,221	2,069,109	99,889	100,978
Investment property	14	-	109,315	-	-
Forest concessions	15	300,932	311,728	-	-
Plantation development expenditure	16	146,859	140,824	-	-
Land held for property development	17	54,215	51,698	111	111
Investment in subsidiary companies	18	-	-	285,931	291,298
Investment in associated companies	19	479,221	354,177	33,213	33,213
Long-term investments	20	242,328	356,902	52,475	93,072
Deferred tax assets	21	33,419	33,457	-	-
Expenditure carried forward	22	901	4,844	140	140
Goodwill	23	312,253	332,238	-	-
Current Assets					
Property development costs	17	37,384	44,234	-	134
Inventories	24	1,067,748	811,845	43	43
Amount due by contract customers	25	1,051	1,014	-	-
Short-term investments	26	39,990	32,839	32,903	4,639
Trade receivables	27	519,291	420,242	808	2,255
Accrued billings of property development projects		2,607	7,456	-	-
Other receivables, deposits and prepayments	28	260,267	292,202	77,568	59,922
Amount owing by subsidiary companies	29	-	-	1,188,392	1,287,206
Amount owing by an associated company	29	28,500	28,500	-	-
Deposits, cash and bank balances	30	193,956	251,927	38,205	20,505
		2,150,794	1,890,259	1,337,919	1,374,704
Current Liabilities					
Trade payables	31	470,707	292,657	1,802	1,416
Advance billings of property development projects		-	1,734	-	353
Amount due to contract customers	25	1,182	951	-	-
Other payables, deposits and accruals	32	410,598	507,266	11,893	13,614
Amount owing to subsidiary companies	29	-	-	252,342	246,202
Lease and hire-purchase payables	33	1,090	637	147	-
Short-term borrowings	34	433,840	148,287	-	-
LICB Bonds and USD Debts	35	88,959	115,120	100,613	125,494
Tax liabilities		3,857	36,866	-	3,788
		1,410,233	1,103,518	366,797	390,867
Net Current Assets		740,561	786,741	971,122	983,837

(Forward)



	Note	The Group		The Company	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Non-Current And Deferred Liabilities					
LICB Bonds and USD Debts	35	323,986	394,375	364,698	444,066
Long-term borrowings	36	1,206,182	1,518,349	-	-
Lease and hire-purchase payables	33	2,412	1,713	584	-
Deferred tax liabilities	21	142,075	107,443	3,036	3,036
Deferred liabilities	37	48,840	99,714	-	-
		(1,723,495)	(2,121,594)	(368,318)	(447,102)
Minority interests		(482,427)	(406,238)	-	-
Net Assets		2,277,988	2,023,201	1,074,563	1,055,547
Represented By:					
Issued capital	38	697,056	679,235	697,056	679,235
Reserves	39	1,580,932	1,343,966	377,507	376,312
Shareholders' Equity		2,277,988	2,023,201	1,074,563	1,055,547

The accompanying Notes form an integral part of the Financial Statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2005

The Group

₤ ----- Non-Distributable Reserves ----- à

	Note	Issued capital RM'000	Share premium RM'000	Revaluation reserve RM'000	Translation adjustment account RM'000	Negative goodwill RM'000	Unappropriated profit/ (Accumulated loss) RM'000	Net reserves RM'000	Total RM'000
Balance as of 1 July 2003		679,235	515,190	59,551	57,521	959,449	(389,740)	1,201,971	1,881,206
Revaluation deficit		-	-	(59,551)	-	-	-	(59,551)	(59,551)
of investment property	14	-	-	(59,551)	-	-	-	(59,551)	(59,551)
Realisation pursuant to dilution		-	-	-	-	(45,643)	-	(45,643)	(45,643)
of subsidiary companies	18	-	-	-	-	(45,643)	-	(45,643)	(45,643)
Reclassified to investment		-	-	-	-	(46,514)	-	(46,514)	(46,514)
in associated companies	19	-	-	-	-	(46,514)	-	(46,514)	(46,514)
Amortisation for the year		-	-	-	-	(38,613)	-	(38,613)	(38,613)
Currency translation differences		-	-	-	(1,463)	-	-	(1,463)	(1,463)
Net profit for the year		-	-	-	-	-	336,224	336,224	336,224
Dividend		-	-	-	-	-	(2,445)	(2,445)	(2,445)
Balance as of 30 June 2004		679,235	515,190	-	56,058	828,679	(55,961)	1,343,966	2,023,201
Issue of shares	38	17,821	-	-	-	-	-	-	17,821
Amortisation for the year		-	-	-	-	(35,056)	-	(35,056)	(35,056)
Currency translation differences		-	-	-	(21,498)	-	-	(21,498)	(21,498)
Net profit for the year		-	-	-	-	-	327,565	327,565	327,565
Effect of dilution on equity		-	-	-	-	(24,030)	(5,092)	(29,122)	(29,122)
interest in a subsidiary company		-	-	-	-	(24,030)	(5,092)	(29,122)	(29,122)
Dividend	40	-	-	-	-	-	(4,923)	(4,923)	(4,923)
Balance as of 30 June 2005		697,056	515,190	-	34,560	769,593	261,589	1,580,932	2,277,988

The Company

Non-Distributable Reserve

	Note	Issued capital RM'000	Share premium RM'000	Accumulated loss RM'000	Net reserves RM'000	Total RM'000
Balance as of 1 July 2003		679,235	515,190	(142,628)	372,562	1,051,797
Net profit for the year		-	-	6,195	6,195	6,195
Dividend		-	-	(2,445)	(2,445)	(2,445)
Balance as of 30 June 2004		679,235	515,190	(138,878)	376,312	1,055,547
Issue of shares	38	17,821	-	-	-	17,821
Net profit for the year		-	-	6,118	6,118	6,118
Dividend	40	-	-	(4,923)	(4,923)	(4,923)
Balance as of 30 June 2005		697,056	515,190	(137,683)	377,507	1,074,563

The accompanying Notes form an integral part of the Financial Statements.

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2005

The Group

	Note	2005 RM'000	2004 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES			
Profit before tax		396,261	573,777
Adjustments for:			
Interest expense		140,011	153,906
Depreciation of property, plant and equipment		132,621	152,851
Loss on disposal of investments for debt settlement	10	47,044	-
Allowance for:			
Foreseeable loss/(loss overprovided) on disposal of investment property		(2,005)	17,000
Diminution in value of investments		18,000	10,000
Doubtful trade and other receivables		5,990	13,237
Obsolescence of inventories		7,431	1,286
Expenditure carried forward written off		-	7,163
Impairment loss on property, plant and equipment		-	3,448
Provision for compensation on late delivery		-	597
Property, plant and equipment written off		114	456
Gain on disposal of subsidiary companies		-	(314,606)
Amortisation of:			
Forest concessions		10,796	10,796
Expenditure carried forward		2,094	10,126
Goodwill/(Negative goodwill) – net		(15,071)	(18,496)
Dividend income		-	(23)
Gain on disposal of investment in quoted shares		-	(42)
Loss on disposal of investment in associated companies		893	-
Reversal of Group's share of net liabilities		(9,421)	-
Gain on disposal of property, plant and equipment		(1,784)	(911)
Allowance no longer required for:			
Obsolescence of inventories		(13,795)	-
Cost to completion for property development projects		(416)	(1,140)
Doubtful trade and other receivables		(1,875)	(811)
Unrealised gain on foreign exchange – net		(498)	(1,892)
Share in results of associated companies		(214,557)	(8,783)
Interest income		(39,724)	(34,291)
Operating Profit Before Working Capital Changes		462,109	573,648
(Increase)/Decrease in:			
Property development costs		12,653	7,615
Inventories (Net of depreciation of property, plant and equipment of RM2,670,000 (2004: RM2,178,000) and amortisation of plantation development expenditure of RM102,000 (2004: RM81,000))		(249,976)	(293,560)
Amount due by contract customers		(37)	485
Trade receivables		(97,513)	(132,575)
Other receivables, deposits and prepayments		22,129	(98,043)
Increase/(Decrease) in:			
Trade payables		184,794	66,672
Other payables, deposits and accruals		(133,866)	66,541
Amount due to contract customers		231	(2)
Movements in translation adjustment account		(295)	(1,523)
Cash Generated From Operations		200,229	189,258
Income tax paid		(44,136)	(53,266)
Net Cash Generated From Operating Activities		156,093	135,992

(Forward)

	Note	2005 RM'000	2004 RM'000
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Cash flow on disposal and liquidation of subsidiary companies (ii)		103,758	427,957
Proceeds from disposal of investment properties		-	277,583
Deposits received on proposed disposal of remaining interests in brewery operations		-	186,127
Proceeds from disposal/redemption of investments		21,617	30,196
Interest received		19,708	24,179
Proceeds from disposal of property, plant and equipment		2,742	10,056
Dividend received		5,371	17
Additions to expenditure carried forward		(3)	(1,635)
Purchase of property, plant and equipment (i)		(222,583)	(114,331)
Deposits paid on proposed acquisition of new businesses		-	(152,782)
Cash flow on dilution of subsidiary companies (iii)		-	(207,207)
Purchase of investment in associated companies		(136)	(226,747)
(Increase)/Decrease in:			
Land held for property development		(2,828)	8,739
Plantation development expenditure (Net of depreciation of property, plant and equipment of RM325,000 (2004: RM433,000))		(5,812)	(7,411)
Net Cash (Used In)/Generated From Investing Activities		(78,166)	254,741
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Issue of shares		17,821	-
Issue of shares by a subsidiary company		14,348	-
Repayment of short-term borrowings		-	(247,873)
Interest paid		(110,423)	(123,159)
Redemption/Repayment of LICB Bonds and USD Debts		(126,138)	(62,025)
Capital repayment to minority interests of a subsidiary company		-	(56,618)
Dividend paid to shareholders of the Group		(8,471)	(2,593)
Dividend paid to shareholders of the Company		(4,923)	(2,445)
Repayment of lease and hire-purchase liabilities		(331)	(502)
Proceeds from short-term borrowings		44,723	-
(Increase)/Decrease in cash and cash equivalents – restricted		(7,072)	17,219
Net Cash Used In Financing Activities		(180,466)	(477,996)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(102,539)	(87,263)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		197,125	284,382
Effects of changes in exchange rates		-	6
CASH AND CASH EQUIVALENTS AT END OF YEAR	41	94,586	197,125

- (i) During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM261,509,000 (2004: RM115,476,000), of which RM1,483,000 (2004: RM1,145,000) was acquired under lease and hire-purchase arrangements and RM37,443,000 (2004: RM Nil) was contributed by a corporate shareholder of a subsidiary company as capital injection in the subsidiary company. Cash payments for the acquisition of property, plant and equipment amounted to RM222,583,000 (2004: RM114,331,000).

(Forward)

(ii) ANALYSIS OF DISPOSAL AND LIQUIDATION OF SUBSIDIARY COMPANIES

	2005 RM'000	2004 RM'000
Property, plant and equipment	20,709	685,591
Investment property	109,315	-
Investment in an associated company	-	53,097
Expenditure carried forward	1,852	29,123
Inventories	3,209	115,550
Trade receivables	339	43,111
Other receivables, deposits and prepayments	4,429	113,644
Deposits, cash and bank balances	1,929	70,571
Trade payables	(6,744)	(69,575)
Other payables, deposits and accruals	(15,116)	(344,734)
Short-term borrowings	(5,967)	(42,863)
Tax liabilities	-	(6,276)
Long-term borrowings	-	(57,538)
Goodwill	-	4,206
Minority interests	(3,604)	(229,531)
	<hr/>	<hr/>
Fair value of net assets	110,351	364,376
Translation adjustment account	(14,085)	-
Reclassified to investment in associated companies	-	(180,454)
Reversal of Group's share of net liabilities	9,421	-
Gain on disposal recognised in income statement	-	314,606
	<hr/>	<hr/>
Total cash consideration	105,687	498,528
Less: Cash and cash equivalents disposed of	(1,929)	(70,571)
	<hr/>	<hr/>
Cash flow on disposal	103,758	427,957

(Forward)

(iii) ANALYSIS OF DILUTION OF SUBSIDIARY COMPANIES

	2005 RM'000	2004 RM'000
Property, plant and equipment	-	5,630
Investment in associated companies	-	405,390
Long-term investments	-	33,762
Inventories	-	11,869
Short-term investments	-	6,209
Trade receivables	-	718
Other receivables, deposits and prepayments	-	236,183
Deposits, cash and bank balances	-	207,207
Trade payables	-	(1,155)
Other payables, deposits and accruals	-	(204,030)
Tax liabilities	-	(13,764)
Goodwill	-	30
Minority interests	-	(278,685)
	<hr/>	<hr/>
Fair value of net assets diluted	-	409,364
Negative goodwill	-	(46,514)
	<hr/>	<hr/>
	-	362,850
Reclassified to investment in associated companies	-	(317,207)
Loss on dilution recognised in reserve	-	(45,643)
	<hr/>	<hr/>
	-	-
Less: Cash and cash equivalents diluted	-	(207,207)
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Cash flow on dilution	-	(207,207)
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(Forward)



The Company

	Note	2005 RM'000	2004 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES			
Profit before tax		2,070	9,142
Adjustments for:			
Interest expense		35,584	38,329
Allowance for:			
Diminution in value of investments		4,000	5,000
Doubtful other receivables		–	450
Depreciation of property, plant and equipment		3,139	2,949
Provision for compensation on late delivery		–	597
Loss on disposal of a subsidiary company		5,367	–
Gain on disposal of property, plant and equipment		(68)	–
Dividend income		(22,405)	(6,426)
Reversal of impairment losses on investment in subsidiary companies		–	(22,000)
Interest income		(28,034)	(23,471)
Operating (Loss)/Profit Before Working Capital Changes		(347)	4,570
(Increase)/Decrease in:			
Property development costs		(219)	8,472
Inventories		–	(43)
Trade receivables		1,447	(1,806)
Other receivables, deposits and prepayments		1,035	(1,575)
Increase/(Decrease) in:			
Trade payables		386	(668)
Other payables, deposits and accruals		(1,721)	3,907
Cash Generated From Operations		581	12,857
Income tax paid		(757)	(2,109)
Net Cash (Used In)/Generated From Operating Activities		(176)	10,748
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Purchase of property, plant and equipment (Note)		(1,230)	(115)
Proceeds from disposal of property, plant and equipment		68	–
Proceeds from disposal/redemption of investments		8,333	28,717
Dividend received		19,132	4,627
Decrease in:			
Amount owing by subsidiary companies		108,926	7,936
Amount owing by associated companies		–	3
Land held for property development		–	325
Interest received		3,531	6,623
Net Cash Generated From Investing Activities		138,760	48,116

(Forward)

	Note	2005 RM'000	2004 RM'000
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Issue of shares		17,821	–
Dividend paid to shareholders of the Company		(4,923)	(2,445)
Redemption/Repayment of LICB Bonds and USD Debts		(137,549)	(58,675)
Repayment of lease and hire-purchase liabilities		(110)	–
(Increase)/Decrease in cash and cash equivalents – restricted		(5,890)	11,864
Increase in amount owing to subsidiary companies		3,877	–
Net Cash Used In Financing Activities		<u>(126,774)</u>	<u>(49,256)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		11,810	9,608
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		18,800	9,192
CASH AND CASH EQUIVALENTS AT END OF YEAR	41	<u>30,610</u>	<u>18,800</u>

Note: During the financial year, the Company acquired property, plant and equipment with an aggregate cost of RM2,050,000 (2004: RM115,000), of which RM820,000 (2004: RM Nil) was acquired under hire purchase arrangements. Cash payments for the acquisition of property, plant and equipment amounted to RM1,230,000 (2004: RM115,000).

The accompanying Notes form an integral part of the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Board of Bursa Malaysia Securities Berhad.

The Company's principal activities are investment holding and property development.

The principal activities of the subsidiary companies are disclosed in Note 47.

There have been no significant changes in the nature of the activities of the Company and of its subsidiary companies during the financial year other than as disclosed in Note 2.

The total number of employees of the Group and of the Company as of 30 June 2005 were 5,164 (2004: 5,996) and 48 (2004: 54) respectively.

The registered office of the Company is located at Level 46, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur.

The principal place of business of the Company is located at Level 13-14, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur.

2. SIGNIFICANT CORPORATE EVENTS

- (a) On 20 August 2004, Lion Klang Parade Bhd ("LKP"), a wholly-owned subsidiary company of the Company, accepted a letter of offer dated 11 August 2004 from TMW Lion GmbH ("Purchaser"), a wholly-owned subsidiary company of TMW Asia Property Fund I GmbH and Co KG, a German closed-end property fund for institutional investors, for the proposed disposal of its investment property comprising a shopping complex known as Klang Parade for a cash consideration of RM107.651 million.

Subsequently on 8 November 2004, the Company entered into a share sale and purchase agreement with the Purchaser for the proposed disposal of LKP. The disposal is for a cash consideration of RM1.00 for the entire 100% equity interest in LKP and upon completion, the Purchaser will assume and pay the inter-company balances owing by LKP to the Group, to be computed based on the gross acquisition value of the property of RM109.642 million adjusted for the net trade assets and liabilities to be assumed by the Purchaser.

The disposal of LKP was completed on 21 February 2005 and the Purchaser assumed and paid RM105.687 million inter-company balances owing by LKP to the Group.

- (b) On 15 September 2004, the Company announced the proposed issuance of RM500 million Bai' Bithaman Ajil Islamic Debt Securities ("BaIDS") by Antara Steel Mills Sdn Bhd ("Antara"), a wholly-owned subsidiary company of Amsteel Mills Sdn Bhd ("AMSB"), which is in turn a 99% owned subsidiary company of the Company.

The proceeds from the issuance of BaIDS will be utilised to part finance the acquisition of the Labuan operations from AMSB, to upgrade the existing plant of the Antara and Labuan operations and for working capital purposes.

The BaIDS were issued on 30 August 2005.

- (c) On 23 November 2004, the Company announced the following proposals:
- (i) proposed variation to the redemption date of certain zero-coupon redeemable secured RM denominated bonds ("LICB Bonds") and repayment date of certain zero-coupon redeemable secured USD consolidated and rescheduled debts ("USD Debts") which were due for redemption and repayment on 31 December 2004 to 31 March 2005.
 - (ii) proposed variation to the calculation for penalty interest.

The Company proposed that commencing 1 January 2005, interest payable as penalty for late redemption/repayment of any redemption amount/repayment amount shall be calculated on a simple interest basis instead of on a compound basis.

The approvals for the aforementioned proposals from the relevant authorities (including the Securities Commission and Bank Negara Malaysia) and the LICB Bond holders and USD Debt holders were obtained as of 30 December 2004.

- (d) On 13 December 2004, Lion Forest Industries Berhad ("LFIB"), an 80% owned subsidiary company of the Company announced that Lion Rubber Industries Sdn Bhd ("Lion Rubber"), a wholly-owned subsidiary company of LFIB, entered into an agreement with Shandong LuHe Group Co Ltd to incorporate a company, Shandong Silverstone LuHe Rubber & Tyre Co Ltd ("Shandong Silverstone") in the province of Shandong, the People's Republic of China ("PRC"), for the purpose of operating a tyre business in the PRC, with an equity ratio of 75:25.

Lion Rubber contributes its share of USD30.0 million (equivalent to approximately RM114.0 million) for the 75% equity interest by way of cash injection of USD26.0 million (equivalent to approximately RM98.8 million) and the balance of USD4.0 million (equivalent to approximately RM15.2 million) by way of the provision of technical know-how in relation to tyre manufacturing and the use of the "Silverstone" brand name.

Shandong Silverstone has not commenced commercial production as of 30 June 2005. However, trial-run production has commenced since May 2005.

- (e) On 31 January 2005, LFIB announced that LFIB and Quay Class Ltd ("QCL"), a wholly-owned subsidiary company of LFIB, entered into a conditional sale and purchase of shares agreement with Silverstone Corporation Berhad ("SCB") to acquire the entire issued and paid-up share capital of Silverstone Berhad ("SB") comprising 203,877,500 ordinary shares of RM1.00 each including QCL assuming the net inter-company liabilities due by SCB, its subsidiary and associated companies to SB for a purchase consideration of RM225,000,000 to be satisfied by the issue and allotment of 26,500,000 new ordinary shares of RM1.00 each in LFIB at an issue price of RM2.74 each and the balance of RM152,390,000 in deferred cash payments ("Proposed Acquisition").

The Securities Commission ("SC") had on 16 September 2005 advised LFIB that the SC was unable to consider LFIB's application for the Proposed Acquisition in view that SCB's application in respect of its proposed disposal of SB was not approved by the SC. LFIB and SCB are currently considering the SC's decision and their next course of action.

- (f) On 24 February 2005, the Company announced the following proposals:
- (i) implementation of an Executive Share Option Scheme (“ESOS”) of up to 15% of the issued and paid-up capital of the Company for the executive Directors and executive employees of the Company and its subsidiary companies who meet the criteria of eligibility for participation as set out in the Bylaws of the ESOS (“Proposed ESOS”); and
 - (ii) increase of its authorised share capital from the existing RM750,000,000 comprising 750,000,000 ordinary shares of RM1 each to RM1,000,000,000 comprising 1,000,000,000 ordinary shares of RM1 each by the creation of an additional 250,000,000 new ordinary shares of RM1 each in the Company.

The aforesaid proposals were approved by the shareholders of the Company on 23 August 2005 and the Proposed ESOS was implemented on 1 September 2005.

- (g) On 18 March 2005, LFIB announced that LFIB entered into a conditional agreement with the Pemerintah Kabupaten Malinau (the Regency Government of Malinau) (“PKM”) to set up a company (“JV Co”) for the proposed development of 40,000 hectares of oil palm plantation and the construction of two crude palm oil mills in the Malinau Regency, Kalimantan Timur, Republic of Indonesia with an equity ratio of 95:5 (“Proposed JV”).

The JV Co shall have a total registered and paid-up capital of USD5.0 million (equivalent to approximately RM19.0 million).

The Proposed JV is subject to the approvals of the relevant authorities in Malaysia and the Republic of Indonesia.

- (h) On 21 June 2005, the Company announced that the proposal by AMSB to offer its scheme creditors the opportunity to tender their debts for cancellation in consideration for shares in Amsteel Corporation Berhad, a related party and Lion Diversified Holdings Berhad, an associated company, pursuant to the group wide restructuring scheme (“GWRS”) was completed on 21 June 2005.

Further details of the tender exercise are disclosed in Note 10.

3. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Company have been approved by the Board of Directors for issuance on 5 October 2005.

The financial statements of the Group and of the Company have been prepared in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia.

4. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless otherwise indicated in this summary of significant accounting policies.

Basis of Consolidation

The Group's financial statements incorporate the financial statements of the Company and of all the subsidiary companies made up to the end of the financial year as listed under Note 47. Subsidiary companies are consolidated using the acquisition method of accounting.

The results of subsidiary companies acquired or disposed of during the financial year are included in the income statement of the Group from the effective date of acquisition or up to the effective date of disposal.

All significant inter-company transactions and balances are eliminated on consolidation.

Minority interests is measured at the minorities' share of the fair values of the identifiable assets and liabilities of the acquiree. Separate disclosure is made for minority interests.

Revenue and Revenue Recognition

Revenue of the Group consists of the sales invoice value of goods supplied to third parties, net of discounts and returns, proportion of the aggregate sales value of property development projects sold attributable to the percentage of development work performed, sales value of land under development and completed property units, proportion of the total contract value attributable to the percentage of construction work performed, gross rental income, tuition fees and other related fees receivable net of scholarship and dividend income receivable from quoted and unquoted investments.

Revenue of the Company consists of gross rental income and dividend income, proportion of the aggregate sales value of property development projects sold attributable to the percentage of development work performed and sales value of land under development and completed property units.

The revenue recognition policies of the Group and of the Company are as follows:

(i) Steel Division

Gross invoiced value of goods sold – upon delivery of products and customers acceptance, net of discounts and returns and when the risk and rewards of ownership have passed to the buyer.

(ii) Property and Construction Division

Property development projects – upon signing of the individual sale and purchase agreements, based on the percentage of completion method.

Sales of land under development and completed property units – when the sale and purchase agreements are executed.

Construction contracts – when the outcome of a construction contract can be estimated reliably, by reference to the stage of completion of the contract activity.

Rental income – on accrual basis.

(iii) Timber Extraction and Pulp and Paper Division

Gross invoiced value of goods sold – upon delivery of products and customers acceptance, net of discounts and returns and when the risk and rewards of ownership have passed to the buyer.

(iv) Beverage Division

Gross invoiced value of goods sold – upon delivery of products and customers acceptance, net of discounts and returns and when the risk and rewards of ownership have passed to the buyer.

(v) Building Materials

Gross invoiced value of goods sold – upon delivery of products and customers acceptance, net of discounts and returns and when the risk and rewards of ownership have passed to the buyer.

(vi) Other Divisions

Gross invoiced value of goods sold – upon delivery of products and customers acceptance, net of discounts and returns and when the risk and rewards of ownership have passed to the buyer.

Tuition fees and other related fees receivable net of scholarship – when services are performed.

Gross dividend income – where the shareholders' right to receive payment is established.

Foreign Currency Conversion

(i) Transactions in foreign currencies

Transactions in foreign currencies are converted into Ringgit Malaysia at exchange rates prevailing at the transaction dates or, where settlement has not been made at the end of the financial year, at approximate exchange rates prevailing at that date. All foreign exchange gains or losses arising from conversion of foreign currency amounts are dealt with through the income statements.

(ii) Translation of foreign currency operations

For the purpose of consolidation, the financial statements of the foreign incorporated subsidiary companies have been translated into Ringgit Malaysia as follows:

Assets and liabilities	- at closing rate
Share capital	- at historical rate
Revenue and expenses	- at average rate

The results of foreign associated companies are translated at the average rate of exchange for the financial year.

All translation gains or losses are taken up and reflected in translation adjustment account under shareholders' equity.

Difference in exchange arising from the retranslation of the opening net investments in foreign subsidiary and associated companies, and from the translation of the results of those companies at the average rate, are taken to shareholders' equity.

The principal exchange rates used in the conversion of foreign currency amounts are as follows:

	Average rate		Year end rate	
	2005 RM	2004 RM	2005 RM	2004 RM
1 United States Dollar ("USD")	3.80	3.80	3.80	3.80
1 Renminbi ("RMB")	0.46	0.46	0.46	0.46
1 Singapore Dollar ("SGD")	2.27	2.20	2.24	2.21

Employee Benefits

(i) Short-term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by the employees of the Group and of the Company.

(ii) Defined contribution plans

The Company, its subsidiary companies incorporated in Malaysia and their eligible employees are required by law to make monthly contributions to the Employees Provident Fund ("EPF"), a local statutory defined contribution plan, at certain prescribed rates based on the employees' salaries. The Group's foreign incorporated subsidiary companies and their eligible employees also make contributions to their respective countries' statutory pension scheme. Such contributions are recognised as an expense in the income statements as incurred.

Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the 'liability' method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unutilised tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unutilised tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statements, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

Impairment of Assets

At each balance sheet date, the Group and the Company review the carrying amount of assets (other than inventories, assets arising from construction contracts, deferred tax assets and financial assets, which are dealt with in their respective policies) to determine if there is any indication that those assets may be impaired. If any such indication exists, the assets' recoverable amount, which is the higher of net selling price and value in use, is estimated.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the income statements, unless the asset is carried at revalued amount, in which case, the impairment loss is treated as a revaluation decrease.

An impairment loss in respect of goodwill is not reversed unless the loss is caused by a specific external event of an exceptional nature that is not expected to recur and subsequent external events have occurred that reverse the effect of the event. In respect of other assets, an impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount.

An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment loss are recognised in the income statements.

Property, Plant and Equipment

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and accumulated impairment losses.

Gain or loss arising from the disposal of an asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the income statements.

Depreciation of property, plant and equipment, except freehold land and construction work-in-progress which are not depreciated, is computed on the straight-line method at rates based on the estimated useful lives of the various assets.

The annual depreciation rates are as follows:

Freehold buildings	2% - 4%
Leasehold land and buildings	1% - 8%
Other buildings and improvements	2% - 10%
Pulp and paper mill	2% - 4%
Plant, machinery and equipment	2% - 20%
Housing colony and infrastructures	2% - 10%
Jetty and access roads	2% - 4%
Motor vehicles	8% - 25%
Furniture and office equipment	5% - 25%
Computer equipment	10% - 20%
Renovations	2% - 10%

Capitalisation of Borrowing Cost

Borrowing cost incurred on the construction of assets which require a substantial period of time to get them ready for their intended use are capitalised and included as part of the related assets. Capitalisation of borrowing cost will cease when the assets are ready for their intended use and is suspended during extended period in which active development is interrupted.

Leased Assets

Assets under leases which in substance transfer the risks and benefits of ownership of the assets to the Group have been capitalised under property, plant and equipment. The assets and the corresponding lease obligations are recorded at the fair value of the leased assets (which approximate the present value of the minimum lease payments) at the beginning of the respective lease terms. The interest element of lease rentals, calculated using the 'sum of digit' method, is charged to the income statements. Leases which do not meet such criteria are classified as operating leases and the related rentals are charged to the income statements as incurred.

Property, Plant and Equipment Under Hire-Purchase Arrangements

Property, plant and equipment acquired under hire-purchase arrangements are capitalised in the financial statements and the corresponding obligations treated as liabilities. Finance charges are allocated to the income statements to give a constant periodic rate of interest on the remaining hire-purchase liabilities.

Investment Properties

Investment properties are real properties held for long-term purpose for investment potential and for rental income. Investment properties are stated at cost or Directors' valuation and are not depreciated. Directors' valuation recognises the value of the investment properties based on latest valuation reports by independent firms of professional valuers using the "open market value" basis. The investment properties will be revalued at least once at regular intervals of 5 years with additional valuation in the intervening years where market conditions indicate that the carrying values of the revalued investments are materially different from the market values.

An increase in carrying amount arising from the revaluation of each individual investment property will be credited to shareholders' equity as revaluation reserve. To the extent that a decrease in carrying amount offsets a previous increase that has been credited to revaluation reserve and not subsequently reversed or utilised, it will be charged against that revaluation reserve. In all other cases, a decrease in carrying amount will be charged to income statements. An increase on revaluation directly related to a previous decrease in carrying amount that was charged to income statements will be credited to income statements to the extent that it offsets the previously recorded decrease.

On disposal of a previously revalued investment property, the difference between net disposal proceeds and the net carrying amount will be charged or credited to the income statements and the unutilised portion of the related revaluation reserve is taken directly to accumulated profit or loss.

Forest Concessions

Forest concessions, which consist of two forest areas of 158,623 hectares and 118,000 hectares, are stated at cost less accumulated amortisation and any impairment losses. The said concessions are amortised evenly over their estimated useful lives of 16 years and 99 years, respectively.

Plantation Development Expenditure

Development and planting expenditure incurred in the establishment and development of tree plantations, including a proportion of the Group's forestry division general charges incurred in relation to the planting of trees, are deferred and capitalised to plantation development expenditure. This expenditure is charged to the income statements when the trees are harvested upon maturity.

Land Held for Property Development

Land held for property development consists of land on which no significant development work has been undertaken or where development activities are not expected to be completed within the normal operating cycle. Such land is classified as non-current asset and is stated at cost less accumulated impairment losses.

Cost associated with the acquisition of land includes the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies. Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount.

Land held for property development is transferred to property development costs (under current assets) where development activities have commenced and where the development activities is expected to be completed within the Group's normal operating cycle.

Subsidiary Companies

Subsidiary companies are those companies in which the Group has power to exercise control through the power to govern the financial and operating policies of the companies so as to obtain benefits therefrom. Control is presumed to exist when the Group owns, directly or indirectly through subsidiary companies, more than one half of the voting rights of the companies.

Investments in subsidiary companies, which is eliminated on consolidation, is stated in the Company's financial statements at cost less accumulated impairment losses.

Associated Companies

An associated company is a non-subsiary company in which the Group or the Company holds as long-term investment not less than 20% of the equity voting rights and in which the Group or the Company is in a position to exercise significant influence in its management.

Investment in associated companies is stated in the Company's financial statements at cost less any accumulated impairment losses. The Group's investment in associated companies is accounted for under the equity method of accounting based on audited or management financial statements of the associated companies made up to 30 June 2005. Under this method of accounting, the Group's interest in the post-acquisition profit or loss of the associated companies is included in the consolidated results while dividend received is reflected as a reduction of the investment in the consolidated balance sheet.

Unrealised profits and losses arising on transactions between the Group and its associated companies are eliminated to the extent of the Group's equity interest in the relevant associated companies except where unrealised losses provide evidence of an impairment of the asset transferred.

Investments

Investments in quoted and unquoted corporations are stated in both the Group's financial statements and the Company's financial statements at cost or at group cost, adjusted for accretion of interest, where applicable, less allowance for diminution in value of investments to recognise any decline, other than a temporary decline, in the value of investments.

Expenditure Carried Forward

Expenditure carried forward of the Group and of the Company comprises proprietary technology and patents, and development expenditure. Proprietary technology and patents consist of license fee which represents the acquisition cost of the design and manufacture rights while development expenditure represents expenses incurred in the development of new or substantially improved products prior to the commencement of commercial production.

Proprietary technology and patents and development expenditure are amortised systematically using the straight-line method over their estimated useful lives of between 10 and 50 years upon commencement of operations or commercial production. These expenses will be written off if future economic benefits relating to these expenses cannot be determined with reasonable certainty.

Goodwill or Negative Goodwill

Goodwill or negative goodwill represents the difference between the purchase consideration for an acquisition and the sum of the fair value of the identifiable net assets at the date of acquisition. It includes goodwill on consolidation and purchased goodwill.

Goodwill or negative goodwill is amortised/credited systematically over the period of time during which the benefits are expected to arise. However, the period of allocation does not exceed 25 years.

Property Development Activities

Property development revenue are recognised for all units sold using the percentage of completion method, by reference to the stage of completion of the property development projects at the balance sheet date as measured by the proportion that development costs incurred for work performed to-date bear to the estimated total property development costs on completion.

When the outcome of a property development activity cannot be estimated reliably, property development revenue is recognised to the extent of property development costs incurred that is probable of recovery.

Any anticipated loss on a property development project (including costs to be incurred over the defects liability period), is recognised as an expense immediately.

Inventories of unsold completed development units are stated at the lower of cost and net realisable value.

Accrued billings represent the excess of property development revenue recognised in the income statement over the billings to purchasers while advance billings represent the excess of billings to purchasers over property development revenue recognised in the income statement.

Inventories

Trading merchandise, finished goods, work-in-progress, raw materials and other products are valued at the lower of cost and net realisable value. Cost is determined principally on the 'weighted average' method. The cost of raw materials comprise the original purchase price plus cost incurred in bringing the inventories to their present locations and conditions. The cost of work-in-progress and finished goods comprise the cost of raw materials, direct labour, direct charges and an appropriate proportion of production overheads.

Completed property units for sale are valued at the lower of cost and net realisable value. Cost is determined using the 'specific identification' method.

Goods-in-transit are valued at the lower of cost and net realisable value.

Net realisable value represents the estimated selling price in the ordinary course of business less selling and distribution costs and all other estimated costs to completion.

In arriving at net realisable value, due allowance is made for damaged, obsolete or slow moving inventories.

Construction Contracts

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customers.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are probable of recovery. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately as an allowance for foreseeable loss.

Amount due from contract customers represents the excess of cost incurred to date and portion of profit or loss attributable to work performed to date over progress billings while amount due to contract customers represents the excess of progress billings over costs incurred to date and portion of profit or loss attributable to work performed to date.

Receivables

Trade and other receivables are stated at nominal value as reduced by the appropriate allowances for estimated irrecoverable amounts. Allowance for bad and doubtful receivables is made based on estimates of possible losses which may arise from non-collection of certain receivable accounts while receivables considered to be uncollectible are written off.

RM Denominated Bonds (“LICB Bonds”) and USD Consolidated and Rescheduled Debts (“USD Debts”)

LICB Bonds and USD Debts are recorded at the net present value of debts to be settled, net of borrowing costs, if any, adjusted for accretion of interest over the period of the debts. Borrowing costs are amortised, using the straight-line method, over the period of the debts.

Provisions

Provisions are recognised when the Group or the Company has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made.

Cash Flow Statements

The Group and the Company adopt the indirect method in the preparation of the cash flow statements.

Cash equivalents are short-term, highly liquid investments with maturities of three months or less from the date of acquisition and are readily convertible to cash with insignificant risks of changes in value.

5. REVENUE

An analysis of revenue is as follows:

	The Group		The Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Sales of goods	3,904,098	3,534,453	-	-
Gross rental income	17,046	46,863	7,355	7,330
Revenue from:				
Property development	27,173	30,781	137	3,418
Sales of land under development and completed property units	1,563	10,846	135	3,410
Construction contracts	1,404	460	-	-
Tuition and other related fees	13,872	14,442	-	-
Gross dividend income from:				
Subsidiary companies	-	-	19,504	6,403
Associated company (quoted in Malaysia)	-	-	2,901	-
Other investment (quoted in Malaysia)	-	23	-	23
	3,965,156	3,637,868	30,032	20,584

6. OTHER OPERATING INCOME/(EXPENSES) AND STAFF COSTS

Other operating income/(expenses) comprise the following:

	The Group		The Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Allowance for:				
Loss overprovided/(Foreseeable loss)				
on disposal of investment property	2,005	(17,000)	-	-
Diminution in value of investment in quoted shares	(18,000)	(10,000)	(4,000)	(5,000)
Doubtful trade and other receivables	(5,990)	(13,237)	-	(450)
Obsolescence of inventories	(7,431)	(1,286)	-	-
Rental of:				
Plant, machinery and equipment	(6,761)	(6,709)	-	-
Jetties and leasehold land	(3,642)	(3,642)	-	-
Premises	(1,469)	(1,382)	(12)	(70)
Premises payable to related parties	(831)	(861)	-	-
Loss on disposal of:				
Subsidiary company	-	-	(5,367)	-
Associated companies	(893)	-	-	-
Audit fees:				
Current year	(485)	(859)	(39)	(39)
Underprovision in prior year	-	(1)	-	(3)
Property, plant and equipment written off	(114)	(456)	-	-
Loss on foreign exchange:				
Realised	(74)	(293)	-	-
Unrealised	-	(185)	-	-
Expenditure carried forward written off	-	(7,163)	-	-
Impairment loss on property, plant and equipment	-	(3,448)	-	-
Provision for compensation on late delivery	-	(597)	-	(597)
Gain on foreign exchange:				
Realised	2,972	2,137	-	-
Unrealised	498	2,077	-	-
Allowance no longer required for:				
Obsolescence of inventories	13,795	-	-	-
Cost to completion for property development projects	416	1,140	-	-
Doubtful trade and other receivables	1,875	811	-	-
Reversal of Group's share of net liabilities of a subsidiary company under liquidation	9,421	-	-	-
Gain on disposal of:				
Property, plant and equipment	1,784	911	68	-
Quoted investment	-	42	-	-
Interest income from Housing Development Accounts	354	249	199	148
Bad receivables recovered	192	35	-	-
Reversal of impairment losses on investment in subsidiary companies	-	-	-	22,000

Staff costs include salaries, bonuses, contributions for defined contribution plans and all other staff related expenses, excluding Directors' remuneration (Note 7). Contribution for defined contribution plans by the Group and the Company amounted to RM17,219,000 (2004: RM23,923,000) and RM625,000 (2004: RM519,000) respectively.

7. DIRECTORS' REMUNERATION

Directors' remuneration of the Group and of the Company classified by executive and non-executive Directors are as follows:

	The Group		The Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Executive Director:				
Fee	20	20	20	20
Salary and bonus	525	420	525	420
Defined contribution plans	71	59	71	59
	616	499	616	499
Non-executive Directors:				
Fees	188	204	188	172
Salary, bonuses and allowances	134	849	24	24
Defined contribution plans	13	94	-	-
	335	1,147	212	196
Total	951	1,646	828	695

The estimated monetary value of benefits-in-kind received and receivable by the executive Director otherwise than in cash from the Group and the Company amounted to RM71,000 (2004: RM68,000).

8. FINANCE COSTS

	The Group		The Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Interest expense on:				
Term loans	94,508	107,098	-	-
LICB Bonds and USD Debts	27,712	28,870	31,425	33,547
Bills payable	10,388	7,889	-	-
Bank overdrafts	1,524	2,252	-	-
Lease and hire-purchase	194	119	21	-
Advances from subsidiary companies	-	-	2,263	2,892
Related parties	-	63	-	14
Others	5,685	7,615	1,875	1,876
	140,011	153,906	35,584	38,329

9. INCOME FROM OTHER INVESTMENTS

	The Group		The Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Interest income from:				
Investment in unquoted bonds	9,716	10,112	2,894	2,848
Fixed deposits	4,396	8,222	392	203
Subsidiary companies	–	–	10,112	12,968
Related parties	13,526	10,283	4,091	3,466
Deferment of redemption of investment in unquoted preference shares (Note 20)	10,300	3,753	10,300	3,753
Others	1,432	1,672	46	85
	39,370	34,042	27,835	23,323

10. LOSS ON DISPOSAL OF INVESTMENTS FOR DEBT SETTLEMENT

During the financial year, Amsteel Mills Sdn Bhd, a 99% owned subsidiary company of the Company, completed its proposal to offer its scheme creditors the opportunity to tender their debts for cancellation in consideration for shares in Amsteel Corporation Berhad (included in long-term investments) and Lion Diversified Holdings Berhad (included in investment in associated companies) pursuant to the GWRS implemented by the Group in 2003. Certain amount of cash was also included as part of the tender exercise. The loss arising from disposal of investments for the settlement of debts pursuant to this exercise is as follows:

	The Group	
	2005 RM'000	2004 RM'000
At carrying values:		
Investment in an associated company	65,199	–
Long-term investments	84,710	–
Cash	20,679	–
	170,588	–
Debts cancelled	123,544	–
Loss	(47,044)	–

11. INCOME TAX (EXPENSE)/CREDIT

Income tax (expense)/credit for the Group and the Company consists of:

	The Group		The Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Current estimated tax payable:				
Current year:				
Malaysian	(20,015)	(25,599)	(2,448)	(3,275)
Foreign	(41)	(6,291)	-	-
Over/(Under)provision in prior years	6,843	(5)	6,496	328
Deferred taxation:				
Current year:				
Malaysian (Note 21)	(34,670)	(62,442)	-	-
	(47,883)	(94,337)	4,048	(2,947)
Share in income tax expense of associated companies	(13,152)	(4,052)	-	-
	(61,035)	(98,389)	4,048	(2,947)

A reconciliation of income tax credit/(expense) applicable to profit before tax at the statutory income tax rate to income tax credit/(expense) at the effective income tax rate of the Group and of the Company is as follows:

	The Group		The Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Profit before tax	396,261	573,777	2,070	9,142
Taxation at statutory tax rate of 28% (2004: 28%)	(110,954)	(160,658)	(580)	(2,560)
Effect of different tax rates in other countries	606	1,321	-	-
Income not subject to tax	67,248	100,248	2,648	6,160
Expenses not deductible for tax purposes	(30,953)	(37,155)	(4,516)	(6,875)
Deferred tax asset not recognised	(9,896)	(2,140)	-	-
Reversal of deferred tax asset not previously recognised	16,071	-	-	-
Over/(Under)provision in prior years	6,843	(5)	6,496	328
Income tax (expense)/credit	(61,035)	(98,389)	4,048	(2,947)

As of 30 June 2005, the Company has tax exempt income account amounting to approximately RM21,170,000 (2004: RM21,170,000) arising from waiver of tax payable on chargeable income earned in 1999 under the Income Tax (Amendment) Act, 1999 which, subject to agreement with the tax authorities, is available for distribution as tax exempt dividends. As of 30 June 2005, the Company has not distributed any of its tax exempt income as tax exempt dividends.

12. EARNINGS PER ORDINARY SHARE

Basic

Earnings per ordinary share for the Group is computed based on the profit after tax and minority interests of RM327,565,000 (2004: RM336,224,000) and the weighted average number of ordinary shares in issue during the financial year of 687,679,000 (2004: 679,235,000).

	2005 '000	2004 '000
Weighted average number of ordinary shares:		
Issued shares at beginning of year	679,235	679,235
Effect of the exercise of ESOS	8,444	-
	687,679	679,235

Diluted

The diluted earnings per ordinary share in 2005 has not been presented as the exercise period for the Company's ESOS lapsed on 14 May 2005.

For 2004, the diluted earning per ordinary share was not disclosed as the options over 19,069,000 unissued ordinary shares of RM1.00 each granted to eligible employees pursuant to the Company's ESOS have no dilutive effect as the exercise price is above the average market value of the Company's shares during the financial year ended 30 June 2004.

13. PROPERTY, PLANT AND EQUIPMENT

The Group 2005

	At beginning of year RM'000	Additions RM'000	Disposals RM'000	COST Effect of disposal and liquidation of subsidiary companies RM'000	Write-offs RM'000	Reclassi- fication RM'000	At end of year RM'000
Freehold land	73,162	-	(33)	-	-	-	73,129
Freehold buildings	224,672	149	(77)	-	-	-	224,744
Leasehold land and buildings under long lease	322,022	49,640	(109)	-	-	-	371,553
Leasehold land and buildings under short lease	109,389	7,578	(1,130)	(10,443)	-	5,963	111,357
Other buildings and improvements	80	-	(80)	-	-	-	-
Pulp and paper mill	768,464	-	-	-	-	-	768,464
Plant, machinery and equipment	1,386,057	98,503	(351)	(26,393)	(884)	70,813	1,527,745
Housing colony and infrastructures	115,091	559	-	-	-	769	116,419
Jetty and access roads	100,380	454	-	-	-	-	100,834
Motor vehicles	19,111	3,575	(2,479)	(1,247)	(3)	-	18,957
Furniture and office equipment	64,130	4,009	(298)	(956)	(596)	157	66,446
Computer equipment	3,872	1,419	(2)	(188)	(531)	-	4,570
Renovations	4,911	-	(17)	(44)	(158)	-	4,692
Construction work-in-progress	120,148	95,623	-	(67)	(1)	(77,702)	138,001
Total	3,311,489	261,509	(4,576)	(39,338)	(2,173)	-	3,526,911

(Forward)

The Group

	ACCUMULATED DEPRECIATION						At end of year RM'000
	At beginning of year RM'000	Charge for the year RM'000	Disposals RM'000	Effect of disposal and liquidation of subsidiary companies RM'000	Write-offs RM'000	Reclassification RM'000	
Freehold buildings	9,142	12,772	-	-	-	-	21,914
Leasehold land and buildings under long lease	106,063	7,627	(16)	-	-	-	113,674
Leasehold land and buildings under short lease	37,974	9,817	(532)	(1,433)	-	(39)	45,787
Other buildings and improvements	50	-	(50)	-	-	-	-
Pulp and paper mills	385,857	16,608	-	-	-	-	402,465
Plant, machinery and equipment	508,040	74,721	(255)	(15,246)	(785)	2	566,477
Housing colony and infrastructures	55,899	4,600	-	-	-	37	60,536
Jetty and access roads	54,639	4,123	-	-	-	-	58,762
Motor vehicles	14,074	1,812	(2,477)	(948)	(3)	-	12,458
Furniture and office equipment	53,941	2,956	(270)	(835)	(592)	22	55,222
Computer equipment	3,296	205	(1)	(160)	(531)	(22)	2,787
Renovations	3,533	375	(17)	(7)	(148)	-	3,736
Total	1,232,508	135,616	(3,618)	(18,629)	(2,059)	-	1,343,818

	ACCUMULATED IMPAIRMENT LOSSES				NET BOOK VALUE		
	At beginning of year RM'000	Charge for the year RM'000	At end of year RM'000	Impairment losses for 2004 RM'000	At beginning of year RM'000	At end of year RM'000	Depreciation charge for 2004 RM'000
Freehold land	-	-	-	-	73,162	73,129	-
Freehold buildings	-	-	-	-	215,530	202,830	3,644
Leasehold land and buildings under long lease	-	-	-	-	215,959	257,879	7,774
Leasehold land and buildings under short lease	-	-	-	-	71,415	65,570	9,672
Other buildings and improvements	-	-	-	-	30	-	1
Pulp and paper mills	3,448	-	3,448	3,448	379,159	362,551	16,605
Plant, machinery and equipment	6,424	-	6,424	-	871,593	954,844	101,235
Housing colony and infrastructures	-	-	-	-	59,192	55,883	4,591
Jetty and access roads	-	-	-	-	45,741	42,072	4,098
Motor vehicles	-	-	-	-	5,037	6,499	2,663
Furniture and office equipment	-	-	-	-	10,189	11,224	4,529
Computer equipment	-	-	-	-	576	1,783	215
Renovations	-	-	-	-	1,378	956	435
Construction work-in-progress	-	-	-	-	120,148	138,001	-
Total	9,872	-	9,872	3,448	2,069,109	2,173,221	155,462

(Forward)

**The Company
2005**

	COST			At end of year RM'000
	At beginning of year RM'000	Additions RM'000	Disposals RM'000	
Leasehold land and buildings under long lease	123,662	888	–	124,550
Plant, machinery and equipment	2,105	–	–	2,105
Motor vehicles	518	1,058	(200)	1,376
Furniture and office equipment	1,294	13	–	1,307
Computer equipment	1,047	91	–	1,138
Renovations	3,826	–	–	3,826
Total	132,452	2,050	(200)	134,302

	ACCUMULATED DEPRECIATION				NET BOOK VALUE		
	At beginning of year RM'000	Change for the year RM'000	Disposals RM'000	At end of year RM'000	At beginning of year RM'000	At end of year RM'000	Depreciation charge for 2004 RM'000
Leasehold land and buildings under long lease	24,552	2,555	–	27,107	99,110	97,443	2,377
Plant, machinery and equipment	2,105	–	–	2,105	–	–	–
Motor vehicles	394	76	(200)	270	124	1,106	15
Furniture and office equipment	1,101	61	–	1,162	193	145	81
Computer equipment	650	111	–	761	397	377	108
Renovations	2,672	336	–	3,008	1,154	818	368
Total	31,474	3,139	(200)	34,413	100,978	99,889	2,949

Current additions to property, plant and equipment of the Group include finance costs amounting to RM7,522,000 (2004: RM Nil).

Included in property, plant and equipment of the Group and of the Company are motor vehicles acquired under lease and hire-purchase arrangements with net book values of RM4,592,000 (2004: RM2,926,000) and RM996,000 (2004: RM Nil) respectively.

As of 30 June 2005, the titles to all parcels of leasehold land of the Company and certain parcels of freehold and leasehold land of subsidiary companies with carrying values totalling RM105.6 million (2004: RM101.9 million) have not been registered in the name of the Company and the respective subsidiary companies.

As of 30 June 2005, the leasehold land of the Company and property, plant and equipment of certain subsidiary companies with carrying values totalling RM1,204.9 million (2004: RM1,199.2 million) have been pledged as security for borrowings, LICB Bonds and USD Debts (Notes 34 to 36).

The depreciation charge is allocated as follows:

	The Group		The Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Income statements	132,621	152,851	3,139	2,949
Inventories (Note 24)	2,670	2,178	-	-
Plantation development expenditure (Note 16)	325	433	-	-
	135,616	155,462	3,139	2,949

14. INVESTMENT PROPERTY

Investment property of the Group in 2004 represents a commercial shopping complex erected thereon belonging to a subsidiary company which was disposed of during the financial year.

	The Group 2004 RM'000
Freehold land and building – at valuation	189,000
Revaluation deficit	(62,685)
	126,315
Allowance for foreseeable loss on disposal of investment property	(17,000)
	109,315

The revaluation deficit in 2004 arose as a result of the following:

	Revaluation Reserve RM'000	Tax Effect (Note 21) RM'000	Total RM'000
Revaluation exercise	9,500	500	10,000
Proposed disposal	50,051	2,634	52,685
	59,551	3,134	62,685

The freehold land and building was revalued as of 31 March 2004 by the Directors based on valuation carried out by Mr P'ng Soo Theng, a registered valuer of CH Williams Talhar & Wong Sdn Bhd using the "open market value" basis. The deficit amounting to RM9,500,000 (net of tax effect of RM500,000) was debited to revaluation reserve account.

As reported in the previous year's financial statements, the Group proposed to dispose of its investment property. The carrying amount of the investment property as of 30 June 2004 exceeded the estimated cash consideration for the said proposed disposal. Accordingly, a further revaluation deficit of RM50,051,000 (net of tax effect of RM2,634,000) was debited to revaluation reserve account to reverse the previous revaluation surplus and an allowance for foreseeable loss on disposal of RM17,000,000 was charged to the income statement of the Group in 2004.

The investment property of the Group was charged as security for borrowings, LICB Bonds and USD Debts (Notes 34 to 36).

15. FOREST CONCESSIONS

	The Group	
	2005	2004
	RM'000	RM'000
At cost:		
Forest concessions	388,200	388,200
Cumulative amortisation:		
At beginning of year	(76,472)	(65,676)
Amortisation for the year	(10,796)	(10,796)
At end of year	(87,268)	(76,472)
Net	<u>300,932</u>	<u>311,728</u>

The forest concessions consist of two forest areas with a total area of 276,623 hectares. The values attributable to the concessions of 158,623 hectares and 118,000 hectares are RM131,200,000 and RM257,000,000 respectively. The 158,623 hectares and 118,000 hectares of concession are amortised evenly over their estimated useful lives of 16 years and 99 years, respectively.

16. PLANTATION DEVELOPMENT EXPENDITURE

	The Group	
	2005	2004
	RM'000	RM'000
At cost:		
At beginning of year	145,221	137,377
Additions for the year	6,137	7,844
At end of year	151,358	145,221
Cumulative amortisation:		
At beginning of year	(4,397)	(4,316)
Amortisation for the year	(102)	(81)
At end of year	(4,499)	(4,397)
Net	<u>146,859</u>	<u>140,824</u>

Charges to plantation development expenditure during the financial year include depreciation of property, plant and equipment amounting to RM325,000 (2004: RM433,000).

Current amortisation of RM102,000 (2004: RM81,000) has been charged to inventories.

17. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS
(a) Land Held for Property Development

	The Group		The Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
At beginning of year:				
Land costs	63,613	63,759	53	199
Development costs	12,060	11,974	58	237
	75,673	75,733	111	436
Costs incurred during the year:				
Land costs	2,828	-	-	-
Development costs	-	270	-	5
	2,828	270	-	5
Accumulated impairment losses:				
At beginning of year	(23,975)	(23,975)	-	-
Transfer to property development costs	2,344	-	-	-
	(21,631)	(23,975)	-	-
Disposal of land held for property development	-	(330)	-	(330)
Transfer to property development costs	(2,655)	-	-	-
	54,215	51,698	111	111

(b) Property Development Costs

	The Group		The Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Property development costs at beginning of year:				
Land costs	18,573	21,383	512	3,141
Development costs	69,488	85,042	3,773	33,639
	88,061	106,425	4,285	36,780
Costs incurred during the year:				
Land costs	–	252	–	150
Development costs	13,305	22,106	4	3,635
	13,305	22,358	4	3,785
Transfer from land held for property development	2,655	–	–	–
	104,021	128,783	4,289	40,565
Costs recognised as expenses in income statement:				
Previous years	(35,268)	(52,926)	(4,152)	(37,873)
Current year	(15,580)	(18,578)	(137)	(2,515)
Eliminated due to completion of projects	26,771	36,236	4,289	36,236
	(24,077)	(35,268)	–	(4,152)
Accumulated impairment losses:				
At beginning of year	(10,152)	(11,480)	–	–
Transfer from land held for property development	(2,344)	–	–	–
Transfer to completed units	1,139	1,328	–	–
Eliminated due to completion of projects	3,572	–	–	–
	(7,785)	(10,152)	–	–
Costs eliminated during the year due to completion of projects	(30,343)	(36,236)	(4,289)	(36,236)
Transfer to inventories	(4,432)	(2,893)	–	(43)
Net	37,384	44,234	–	134

As of 30 June 2005, certain parcels of land of the Group with carrying values totalling RM39.5 million (2004: RM39.5 million) have been charged as security for LICB Bonds and USD Debts (Note 35).

As of 30 June 2005, the titles to certain parcels of land held for development of the Group with carrying values totalling RM5.0 million (2004: RM5.7 million) have yet to be registered in the name of the subsidiary companies.

18. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company	
	2005 RM'000	2004 RM'000
Shares quoted in Malaysia:		
At cost	139,837	139,837
Unquoted shares in Malaysia:		
At cost	292,335	297,702
Accumulated impairment losses	(146,241)	(146,241)
	146,094	151,461
Total	285,931	291,298
Market value of quoted shares	99,541	110,019

As mentioned in Note 2(a), the Company disposed of its entire equity interest in a subsidiary company, Lion Klang Parade Bhd, during the financial year.

On 29 November 2004, the Company announced the completion of the voluntary liquidation of Huangshi Heilen Pharmaceutical Co Ltd.

The Company had also on 23 March 2005 announced the commencement of the voluntary liquidation proceedings of Tianjin Hua Shi Auto Meter Co Ltd.

The effects on the abovementioned disposal of Lion Klang Parade Bhd and liquidation of Tianjin Hua Shi Auto Meter Co Ltd on the financial results of the Group for the financial year are as follows:

	Disposal/Liquidation	
	(Unaudited) (Up to the date of disposal and liquidation) 2005 RM'000	(Audited) 2004 RM'000
Revenue	11,495	24,211
Operating expenses	(7,600)	(33,872)
Profit/(Loss) from operations	3,895	(9,661)
Finance costs	(127)	(384)
Profit/(Loss) before tax	3,768	(10,045)
Income tax credit	-	246
Profit/(Loss) after tax	3,768	(9,799)
Minority interests	1,070	8,324
Net profit/(loss) attributable to shareholders of the Company	4,838	(1,475)

The effects of the abovementioned disposal and liquidation on the financial position of the Group as of 30 June 2005 are as follows:

	Disposal/Liquidation (Unaudited) (At the dates of disposal and liquidation) 2005 RM'000	(Audited) 2004 RM'000
Property, plant and equipment	20,709	21,419
Investment property	109,315	109,315
Expenditure carried forward	1,852	1,893
Inventories	3,209	2,978
Trade receivables	339	4,888
Other receivables, deposits and prepayments	4,429	6,349
Deposits, cash and bank balances	1,929	2,502
Trade payables	(6,744)	(7,908)
Other payables, deposits and accruals	(15,116)	(16,113)
Short-term borrowings	(5,967)	(5,967)
Minority interests	(3,604)	(4,675)
Net assets	110,351	114,681

In 2004, Lion Diversified Holdings Berhad ("LDHB"), a former subsidiary company of the Company, completed its corporate exercises on 1 June 2004. As part of LDHB's corporate exercises, LDHB disposed of 50% equity interests in its subsidiary companies which were principally involved in the brewery operations in January 2004. Upon disposal, these subsidiary companies became associated companies of LDHB.

Also, upon completion of the corporate exercises undertaken by LDHB, the Group's equity interest in LDHB was diluted from 59% to 45%. Consequently, LDHB and its subsidiary companies ceased to be subsidiary companies of the Group. LDHB became an associated company of the Group in 2004.

The effects of the abovementioned disposal and dilution on the financial results of the Group for 2004 are as follows:

	Disposal/ Dilution (Unaudited) (Up to the dates of disposal and dilution) 2004 RM'000
Revenue	405,080
Operating expenses	(363,935)
Profit from operations	41,145
Finance costs	(8,952)
Profit before tax	32,193
Income tax expense	(17,378)
Profit after tax	14,815
Minority interests	(10,331)
Net profit attributable to shareholders of the Company	4,484

The effects of the abovementioned disposal and dilution on the financial position of the Group as of 30 June 2004 are as follows:

	(Unaudited) (At the date of disposal) 2004 RM'000	(Unaudited) (At the date of dilution) 2004 RM'000
Property, plant and equipment	685,591	5,630
Investment in associated companies	53,097	405,390
Long-term investments	–	33,762
Expenditure carried forward	29,123	–
Goodwill on consolidation	4,206	30
Inventories	115,550	11,869
Short-term investments	–	6,209
Trade receivables	43,111	718
Other receivables, deposits and prepayments	113,644	236,183
Deposits, cash and bank balances	70,571	207,207
Trade payables	(69,575)	(1,155)
Other payables, deposits and accruals	(344,734)	(204,030)
Short-term borrowings	(42,863)	–
Tax liabilities	(6,276)	(13,764)
Long-term borrowings	(57,538)	–
Net assets	593,907	688,049
Negative goodwill	–	(46,514)
Minority interests	(229,531)	(278,685)
	364,376	362,850
Reclassified to investment in associated companies	(180,454)	(317,207)
Loss on dilution recognised in reserve		45,643
Cost of disposal	183,922	
Proceeds from disposal	(498,528)	
Gain on disposal recognised in income statement	314,606	

19. INVESTMENT IN ASSOCIATED COMPANIES

	The Group		The Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
At cost:				
Quoted investments	292,150	296,971	33,213	33,213
Unquoted investments	96,019	109,694	-	-
	388,169	406,665	33,213	33,213
Share in post-acquisition results	91,052	(52,488)	-	-
	479,221	354,177	33,213	33,213
Market value of quoted investments	314,884	219,643	100,952	61,500

The carrying value of the Group's investment in associated companies is represented by:

	The Group	
	2005 RM'000	2004 RM'000
Share of net assets (excluding goodwill)	429,847	321,567
Share of goodwill of associated companies	66,700	78,600
Premium on acquisition	496,547	400,167
	524	524
Negative goodwill on acquisition	497,071	400,691
	(17,850)	(46,514)
	479,221	354,177

Included in the investment in associated companies is cumulative exchange gain of RM23.80 million (2004: RM29.85 million) arising on year end translation of investment in foreign associated companies.

As of 30 June 2005, certain investment in associated companies of the Group with carrying values totalling RM Nil (2004: RM4.8 million) have been charged as security for borrowings, LICB Bonds and USD Debts (Notes 34 to 36).

The Group's share in losses of certain associated companies have been recognised to the extent of the carrying amount of the investments. The cumulative and current year's unrecognised share of losses amounted to RM22.8 million (2004: RM15.0 million) and RM7.8 million (2004: RM7.5 million) respectively.

20. LONG-TERM INVESTMENTS

	The Group		The Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Shares quoted in Malaysia:				
At cost				
Former ultimate holding company	56,190	140,899	37,302	37,302
Former other related companies/parties	9,413	9,413	1,728	1,728
Others	279	280	9	9
	65,882	150,592	39,039	39,039
Allowance for diminution in value of investments	(43,000)	(25,000)	(24,000)	(20,000)
	22,882	125,592	15,039	19,039
Shares quoted outside Malaysia:				
At cost	56	56	56	56
Unquoted investments:				
At cost				
Ordinary shares	33,337	33,097	400	400
Preference shares	30,520	40,613	30,520	40,613
RCCPS*	6,700	6,700	-	-
RCULS**	4,778	4,778	-	-
	75,335	85,188	30,920	41,013
Redeemable within one year (Note 26)	(30,520)	-	(30,520)	-
	44,815	85,188	400	41,013
Allowance for diminution in value of investments	(227)	(227)	-	-
	44,588	84,961	400	41,013
Unquoted bonds (at cost, adjusted for accretion of interest) issued by:				
Former ultimate holding company	74,847	72,106	39,363	37,603
Former other related company	109,425	107,026	-	-
	184,272	179,132	39,363	37,603
Redeemable within one year (Note 26)	(9,470)	(32,839)	(2,383)	(4,639)
	174,802	146,293	36,980	32,964
Total	242,328	356,902	52,475	93,072
Market value of quoted shares	13,163	30,485	7,219	8,050

* Represents redeemable cumulative convertible preference shares issued by a former related company.

** Represents redeemable convertible unsecured loan stocks issued by LDHB.

Certain of the Group's investments with carrying values totalling RM276.8 million (2004: RM384.2 million) have been charged as security for borrowings, LICB Bonds and USD Debts (Notes 34 to 36).

The unquoted preference shares represent the 5-year cumulative redeemable preference shares of RM0.01 each ("RPS") in Likom Computer System Sdn Bhd ("LCS"), a related party of the Company.

Pursuant to a deferment agreement dated 12 March 2004 made between the Company and LCS, the redemption date for the remaining 41,613,000 RPS was deferred to 28 June 2005. As of 30 June 2005, LCS had redeemed a total of 13,092,600 of the 43,613,000 RPS initially held by the Company.

On 24 June 2005, the Company entered into another agreement with LCS to extend the redemption date for the remaining 30,520,400 RPS held by the Company from 28 June 2005 up to 28 December 2005 ("Extension of Time"). Accordingly, the RPS has been reclassified as short-term investment (Note 26).

The Extension of Time was secured by the following securities:

- (i) Existing charge over 175,000 ordinary shares of RM1 each fully paid-up in the share capital of Ributasi Holdings Sdn Bhd belonging to a related party.
- (ii) Existing charge over the remaining landed properties belonging to a related party with a value of approximately RM8.29 million.
- (iii) Existing charge over the remaining RM12.29 million nominal value LDHB irredeemable convertible unsecured loan stocks and 10.062 million ordinary shares of RM0.50 each in LDHB.
- (iv) Existing charge over the escrow account in favour of the Company in which any benefits or entitlements arising from (i) to (iii) above shall be deposited.
- (v) Undertaking by Amble Bond Sdn Bhd, the holding company of LCS, in favour of the Company to cause the redemption of the remaining RPS and payment of the accrued interest by LCS on or before 28 December 2005.
- (vi) Guarantee by Tan Sri William H.J. Cheng.

The investment in unquoted bonds of the Company and of certain subsidiary companies bear a yield to maturity of 7.75% and 4.75% (2004: 7.75% and 4.75%) per annum respectively.

The currency exposure profile of long-term investments is as follows:

	The Group		The Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Ringgit Malaysia	209,558	324,426	52,419	93,016
Renminbi	32,714	32,420	-	-
Singapore Dollar	56	56	56	56
	242,328	356,902	52,475	93,072

21. DEFERRED TAX ASSETS/LIABILITIES

Deferred Tax Assets

	The Group		The Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
At beginning of year	33,457	33,185	-	-
Transfer from/(to) income statement (Note 11)	(38)	272	-	-
At end of year	33,419	33,457	-	-

The above deferred tax assets represent the tax effects on the unabsorbed capital allowances and unutilised tax losses of certain subsidiary companies.

As of 30 June 2005, the Group has unrecognised deferred tax assets totalling RM720 million (2004: RM710 million) in respect of the unutilised tax losses and unabsorbed capital allowances of certain subsidiary companies. This amount has not been recognised in the financial statements in view of the uncertainty of their recoverability.

The unabsorbed capital allowances and unutilised tax losses claimed are subject to the agreement with the tax authorities.

Deferred Tax Liabilities

	The Group		The Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
At beginning of year	107,443	47,863	3,036	3,036
Transfer from income statement (Note 11)	34,632	62,714	-	-
Revaluation reserve (Note 14)	-	(3,134)	-	-
At end of year	142,075	107,443	3,036	3,036

The deferred tax liabilities represent the tax effects of the following:

	The Group		The Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Temporary differences arising from:				
Group's acquisition cost over tax base				
cost of certain development properties	2,882	2,882	-	-
Property, plant and equipment	139,297	111,336	3,036	3,036
Others	(104)	(364)	-	-
Unabsorbed capital allowances and unutilised tax losses	-	(6,411)	-	-
	142,075	107,443	3,036	3,036

22. EXPENDITURE CARRIED FORWARD

	The Group		The Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
At cost:				
At beginning of year	20,169	77,865	1,463	1,463
Addition during the year	3	1,635	-	-
Translation difference	-	4	-	-
Disposal/liquidation of subsidiary companies	(16,164)	(50,302)	-	-
Write-offs	(1,323)	(9,033)	(1,323)	-
At end of year	2,685	20,169	140	1,463
Cumulative amortisation:				
At beginning of year	(15,325)	(28,246)	(1,323)	(1,323)
Amortisation for the year	(2,094)	(10,126)	-	-
Translation difference	-	(2)	-	-
Disposal/liquidation of subsidiary companies	14,312	21,179	-	-
Write-offs	1,323	1,870	1,323	-
At end of year	(1,784)	(15,325)	-	(1,323)
Net	901	4,844	140	140

23. GOODWILL

	The Group	
	2005 RM'000	2004 RM'000
At cost:		
At beginning of year	499,394	505,242
Disposal of subsidiary companies	-	(5,796)
Effect on dilution of subsidiary companies	-	(52)
At end of year	499,394	499,394
Cumulative amortisation:		
At beginning of year	(167,156)	(148,651)
Amortisation for the year	(19,985)	(20,117)
Disposal of subsidiary companies	-	1,590
Effect on dilution of subsidiary companies	-	22
At end of year	(187,141)	(167,156)
Net	312,253	332,238

24. INVENTORIES

Inventories consist of the following:

	The Group		The Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Property:				
Completed units for sale (net of provision for write down of RM4,266,000 (2004: RM1,771,000) for the Group)	10,696	6,416	43	43
Products at cost:				
Raw materials	453,529	386,463	-	-
Work-in-progress	6,090	13,067	-	-
Finished goods	310,344	183,907	-	-
General and consumable stores	124,003	94,385	-	-
Engineering spares	37,632	35,352	-	-
Trading merchandise	9,191	29,185	-	-
Goods-in-transit	123,970	72,512	-	-
	1,064,759	814,871	-	-
Less: Allowance for inventories obsolescence	(7,707)	(9,442)	-	-
	1,057,052	805,429	-	-
Net	1,067,748	811,845	43	43

Certain of the Group's inventories with carrying values totalling RM659.9 million (2004: RM488.8 million) have been charged as security for short-term borrowings (Note 34) and long-term borrowings (Note 36) obtained by the Group.

Charges to inventories include depreciation of property, plant and equipment of RM2,670,000 (2004: RM2,178,000) and amortisation of plantation development expenditure of RM102,000 (2004: RM81,000).

25. AMOUNT DUE BY/(TO) CONTRACT CUSTOMERS

Amount due by/(to) contract customers (denominated in Ringgit Malaysia), pertaining to subsidiary companies, consist of the following:

	The Group	
	2005 RM'000	2004 RM'000
Contract cost	663,107	660,128
Profit attributable to work performed todate	23,066	22,919
Total	686,173	683,047
Progress billings	(685,122)	(682,033)
Amount due by contract customers	1,051	1,014
Contract cost	96,435	178,474
Profit attributable to work performed todate	3,021	5,142
Total	99,456	183,616
Progress billings	(100,638)	(184,567)
Amount due to contract customers	(1,182)	(951)

As of 30 June 2005, retentions held by customers for contract works amounted to RM3,726,000 (2004: RM4,286,000).

26. SHORT-TERM INVESTMENTS

	The Group		The Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Redeemable within one year (Note 20):				
Preference shares	30,520	–	30,520	–
Unquoted bonds	9,470	32,839	2,383	4,639
Total	39,990	32,839	32,903	4,639

The short-term investments are denominated in Ringgit Malaysia.

27. TRADE RECEIVABLES

	The Group		The Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Trade receivables	523,732	436,158	808	2,255
Less: Allowance for doubtful receivables	(8,167)	(20,202)	-	-
	515,565	415,956	808	2,255
Retention monies	3,726	4,286	-	-
	519,291	420,242	808	2,255
Lease, hire-purchase and loan receivables	-	18,190	-	-
Less: Allowance for doubtful receivables	-	(18,190)	-	-
	-	-	-	-
	519,291	420,242	808	2,255

The credit period granted to the trade receivables range from cash term to 90 days (2004: cash term to 90 days).

An allowance of RM8,167,000 (2004: RM20,202,000) for the Group has been made for estimated irrecoverable amounts. This allowance has been determined by reference to past default experience.

The currency exposure profile of trade receivables is as follows:

	The Group		The Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Ringgit Malaysia	503,152	398,249	808	2,255
United States Dollar	15,226	13,587	-	-
Renminbi	913	8,057	-	-
Singapore Dollar	-	349	-	-
	519,291	420,242	808	2,255

As of 30 June 2005, the receivables of the Group amounting to RM261.1 million (2004: RM196.8 million) have been charged as security, by way of floating charge, for borrowings obtained by the Group (Notes 34 to 36).

The Group has no significant concentration of credit risks that may arise from exposure to a single customer or to groups of customers.

28. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Other receivables	176,599	182,993	72,424	89,504
Less: Allowance for doubtful receivables	(10,498)	(47,345)	(1,037)	(31,261)
	166,101	135,648	71,387	58,243
Tax recoverable	28,520	5,334	4,290	–
Refundable deposits	8,580	8,818	834	831
Prepayments	57,066	142,402	1,057	848
	260,267	292,202	77,568	59,922

As of 30 June 2005, the other receivables, deposits and prepayments of the Group with carrying value of RM71.1 million (2004: RM134.4 million) have been charged as security for short-term borrowings (Note 34) and long-term borrowings (Note 36) obtained by the Group.

The currency exposure profile of other receivables, deposits and prepayments is as follows:

	The Group		The Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Ringgit Malaysia	253,022	268,268	77,568	54,112
Renminbi	7,245	23,934	–	5,810
	260,267	292,202	77,568	59,922

29. RELATED COMPANY TRANSACTIONS

(a) Amount owing by/to subsidiary companies

Amount owing by/to subsidiary companies comprises:

	The Company	
	2005 RM'000	2004 RM'000
Amount owing by subsidiary companies	1,298,480	1,397,294
Less: Allowance for doubtful receivables	(110,088)	(110,088)
	1,188,392	1,287,206
Amount owing to subsidiary companies	252,342	246,202

The amounts owing by/to subsidiary companies arose mainly from inter-company advances, novation of debts, interest and dividend receivable and payable.

The amount owing by subsidiary companies are either interest-free or bear interest at 1% or 8% (2004: either interest-free or bear interest at 1% or 8%) per annum and have no fixed repayment terms.

In 2004, the amount owing by a subsidiary company under liquidation of RM5,810,000 (net of allowance for doubtful receivables) was included in other receivables, deposits and prepayments (Note 28). The amount was written off upon the liquidation of the said subsidiary company during the financial year.

The amount owing to subsidiary companies are either interest-free or bear interest at 1% or 8% (2004: either interest-free or bear interest at 1% or 8%) per annum and have no fixed repayment terms.

The currency exposure profile of balances owing by subsidiary companies is as follows:

	The Company	
	2005 RM'000	2004 RM'000
Ringgit Malaysia	1,095,352	1,192,447
Singapore Dollar	92,971	92,971
Renminbi	69	1,788
	1,188,392	1,287,206

The currency exposure profile of balances owing to subsidiary companies is as follows:

	The Company	
	2005	2004
	RM'000	RM'000
Ringgit Malaysia	195,612	189,393
United States Dollar	56,730	56,809
	252,342	246,202
	252,342	246,202

(b) Amount owing by an associated company

The amount owing by an associated company arose from advances. It is denominated in Renminbi, interest-free (2004: interest-free) and has no fixed repayment terms.

(c) Financing of up to RM100 million to Amsteel Mills Sdn Bhd

The Company obtained the approval of its shareholders at an Extraordinary General Meeting held on 15 June 2004 to borrow up to RM100 million, for financing required to complete and run the meltshop facility located in Banting, Selangor Darul Ehsan by Amsteel Mills Sdn Bhd ("AMSB"), a 99% owned subsidiary company of the Company, from Lion Forest Industries Berhad ("LFIB"), an 83% (subsequently diluted to 80% as of 30 June 2005) owned subsidiary company of the Company, the sum of which is to be advanced by Sabah Forest Industries Sdn Bhd ("SFI"), a 98% owned subsidiary company of LFIB.

The amount receivable from AMSB and amount payable to LFIB and the interest income and expense amounting to RM11.3 million (2004: RM0.2 million) arising therefrom have been offset in the financial statements as the Company has a legal enforceable right to offset these amounts and also has the intention to realise the receivable and settle the liability simultaneously. The said amount bears interest at 12% (2004: 12%) per annum.

(d) Deferred Shares of SFI

As of 30 June 2005, SFI, a subsidiary company, has in issue 146 million deferred shares of RM1.00 each, held by Avenel Sdn Bhd ("Avenel"). The said deferred shares, which do not carry any entitlement to dividend, voting rights and rights to receive notice of general meetings, are only entitled to a repayment of capital after the ordinary shares in the event of a winding-up. The said deferred shares are redeemable at any time at the option of the subsidiary company. As of the end of the financial year, the said deferred shares amounting to RM109.5 million (2004: RM109.5 million) pertaining to minority shareholders have been included as part of the minority interests of the Group.

30. DEPOSITS, CASH AND BANK BALANCES

	The Group		The Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Fixed deposits with:				
Licensed banks:				
Restricted	6,000	600	6,000	600
Unrestricted	108,810	168,869	19,456	7,320
	114,810	169,469	25,456	7,920
Licensed financial institutions	–	1,400	–	–
Housing Development Accounts	20,072	16,284	10,964	11,140
Cash and bank balances:				
Restricted	3,803	2,131	1,595	1,105
Unrestricted	55,271	62,643	190	340
	193,956	251,927	38,205	20,505

The Housing Development Accounts are maintained in accordance with Section 7(A) of the Housing Developers (Control and Licensing) Act, 1966. These accounts, which consist of monies received from purchasers, are for the payment of property development expenditure incurred. The surplus monies, if any, will be released to the Company and certain subsidiary companies upon the completion of the property development projects and after all property development expenditure has been fully settled.

Included in deposits with licensed banks and bank balances of the Group and of the Company are amounts totalling RM9.8 million (2004: RM2.7 million) and RM7.6 million (2004: RM1.7 million), respectively, which have been earmarked for the purposes of repayment of borrowings, LICB Bonds and USD Debts (Notes 34 to 36) and pledged as security for bank guarantees granted.

The average effective interest rates during the financial year were as follows:

	The Group		The Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Fixed deposits with:				
Licensed banks	2.3%	2.3%	2.5%	2.4%
Licensed financial institutions	3.0%	3.0%	–	–

Deposits of the Group and of the Company have an average maturity of 24 days (2004: 22 days).

The currency exposure profile of deposits, cash and bank balances is as follows:

	The Group		The Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Ringgit Malaysia	165,050	221,759	38,205	20,505
Renminbi	27,672	30,090	–	–
Singapore Dollar	1,234	78	–	–
	193,956	251,927	38,205	20,505

The deposits, cash and bank balances denominated in Renminbi of the subsidiary companies in the People's Republic of China ("PRC") are subject to the exchange control restrictions of that country. The deposits, cash and bank balances are available for use by the subsidiary companies in the PRC and the exchange control restrictions will only apply if the monies are to be remitted to another country outside the PRC.

31. TRADE PAYABLES

	The Group		The Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Trade payables	465,181	285,883	673	132
Retention monies	5,526	6,774	1,129	1,284
	470,707	292,657	1,802	1,416

The normal credit period granted to the Group and the Company for trade purchases range from cash term to 60 days (2004: cash term to 60 days).

The currency exposure profile of trade payables is as follows:

	The Group		The Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Ringgit Malaysia	465,837	281,281	1,802	1,416
Renminbi	3,433	10,132	-	-
Others	1,437	1,244	-	-
	470,707	292,657	1,802	1,416

32. OTHER PAYABLES, DEPOSITS AND ACCRUALS

	The Group		The Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Other payables and deposits	230,180	273,349	8,972	10,108
Accrued expenses	180,418	233,917	2,921	3,506
	410,598	507,266	11,893	13,614

The currency exposure profile of other payables, deposits and accruals is as follows:

	The Group		The Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Ringgit Malaysia	348,977	469,796	11,893	13,614
Renminbi	60,444	37,452	-	-
Others	1,177	18	-	-
	410,598	507,266	11,893	13,614

Included in other payables of the Group in 2005 is an amount of RM40,295,000 representing amount owing to Shandong LuHe Group Co Ltd, a corporate shareholder of Shandong Silverstone LuHe Rubber & Tyre Co Ltd, a subsidiary company. The said amount, which is denominated in Renminbi, arose from payments made on behalf of the subsidiary company and bears interest at rates ranging from 5.6% to 7.2% per annum and has no fixed repayment terms.

33. LEASE AND HIRE-PURCHASE PAYABLES

	The Group		The Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Lease and hire-purchase	3,502	2,350	731	-
Portion due within one year (shown under current liabilities)	(1,090)	(637)	(147)	-
	2,412	1,713	584	-

The non-current portion of the lease and hire-purchase obligations are payable as follows:

	The Group		The Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Financial years ending 30 June:				
2006	-	637	-	-
2007	761	395	156	-
2008	705	395	165	-
2009 and thereafter	946	286	263	-
	2,412	1,713	584	-

Lease and hire-purchase obligations, which are denominated in Ringgit Malaysia, bear interest at rates ranging from 3.5% to 10.0% (2004: 3.5% to 10.0%) per annum.

34. SHORT-TERM BORROWINGS

	The Group	
	2005 RM'000	2004 RM'000
Short-term loans from financial institutions:		
Secured	1,063	8,845
Unsecured	-	1,836
Bank overdrafts:		
Secured	89,195	51,573
Unsecured	372	498
Bills payable	113,164	85,035
Portion of long-term loans due within one year (Note 36):		
Secured	229,630	-
Unsecured	416	500
	433,840	148,287

The short-term borrowings pertaining to certain subsidiary companies are secured by charges on the property, plant and equipment (Note 13) and other assets of the subsidiary companies.

The short-term borrowings bear interest at rates ranging from 5.4% to 8.5% (2004: 5.4% to 8.5%) per annum.

The currency exposure profile of short-term borrowings is as follows:

	The Group	
	2005 RM'000	2004 RM'000
Ringgit Malaysia	319,941	140,484
United States Dollar	113,899	-
Renminbi	-	7,803
	433,840	148,287

35. LICB BONDS AND USD DEBTS - SECURED

	The Group		The Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
LICB Bonds issued to Scheme Creditors:				
At beginning of year	318,507	357,052	318,507	357,052
Accreted interest	17,329	19,602	17,329	19,602
Redeemed during the year	(95,704)	(58,147)	(95,704)	(58,147)
At end of year	240,132	318,507	240,132	318,507
LICB Bonds issued to subsidiary/ associated companies:				
At beginning of year	24,507	-	83,545	81,525
Effect on dilution of subsidiary companies	-	24,051	-	-
Accreted interest	1,400	456	4,725	4,715
Redeemed during the year	(4,757)	-	(16,168)	(2,695)
At end of year	21,150	24,507	72,102	83,545
USD Debts issued to Scheme Creditors:				
At beginning of year	179,610	174,676	-	-
Accreted interest	8,983	8,812	-	-
Paid during the year	(25,676)	(3,878)	-	-
At end of year	162,917	179,610	-	-
USD Debts issued to a subsidiary company, LLB Harta (L) Limited ("LICB Debts"):				
At beginning of year	-	-	180,637	173,785
Accreted interest	-	-	9,371	9,230
Paid during the year	-	-	(25,677)	(2,378)
At end of year	-	-	164,331	180,637
	424,199	522,624	476,565	582,689

(Forward)

	The Group		The Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Portion payable within one year:				
LICB Bonds issued to:				
- Scheme Creditors	(54,468)	(88,307)	(54,468)	(88,307)
- subsidiary/associated companies	(4,798)	(4,233)	(16,356)	(14,432)
USD Debts issued to:				
- Scheme Creditors	(29,693)	(22,580)	-	-
- a subsidiary company	-	-	(29,789)	(22,755)
	(88,959)	(115,120)	(100,613)	(125,494)
Non-current portion	335,240	407,504	375,952	457,195
Borrowing costs (net of annual amortisation of RM1.9 million for the Group and the Company for 9 years) *	(11,254)	(13,129)	(11,254)	(13,129)
Net	323,986	394,375	364,698	444,066

The non-current portion of the LICB Bonds and USD Debts is repayable as follows:

	The Group		The Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Financial years ending 30 June:				
2006	-	97,653	-	110,430
2007	265,781	240,392	296,855	267,668
2008	9,597	9,597	10,874	10,874
2009 and thereafter	59,862	59,862	68,223	68,223
	335,240	407,504	375,952	457,195

* Borrowing costs represent ordinary shares issued by the Company as a yield enhancement to the cash yield to maturity in order to enhance the return to the Scheme Creditors.

Pursuant to the implementation of the GWRS in 2003, the Group issued RM denominated bonds ("LICB Bonds") and USD consolidated and rescheduled debts ("USD Debts") to the Scheme Creditors as part of the settlement of debts.

The LICB Debts issued by the Company to LLB Harta (L) Limited ("Harta (L)") serves as asset backing to Harta (L) for the repayment of the USD Debts issued by Harta (L) to the Scheme Creditors.

Both the LICB Bonds and USD Debts constitute direct, unsubordinated and secured obligations of the Group.

The principal terms and conditions of the LICB Bonds and USD Debts are as follows:

- (i) The LICB Bonds are only transferable to persons who are the first holders of the LICB Bonds issued by the Company whilst the USD Debts are freely transferable.
- (ii) The tranches of LICB Bonds and USD Debts are as follows:

	Class	Nominal Amount RM'000	Net Present Value RM'000	Tenure (years)	Cash Yield to Maturity (per annum)
<u>Issued by the Company:</u>					
LICB Bonds					
- to Scheme Creditors	A	89,620	78,728	2	6.00%
	B	325,390	249,669	9	5.75%
		415,010	328,397		
- to subsidiary companies	B	97,705	74,969	9	5.75%
		512,715	403,366		
USD Debts ("LICB Debts")					
- to a subsidiary company, Harta (L)	B	206,348	162,336	9	5.25%
<u>Issued by a subsidiary company, Harta (L):</u>					
USD Debts					
- to Scheme Creditors	B	204,463	162,334	9	5.00%

The LICB Bonds and USD Debts are payable annually on 31 December of each calendar year and are subject to late payment charge of 1% per annum above the cash yield to maturity.

- (iii) The Security Trustee holds the following securities ("Securities") for the benefit of the holders of the LICB Bonds and USD Debts issued by the Group:
- (a) The assets included in the proposed divestment programme for the Group. If there is an existing charge on any such assets, the Security Trustee will take a lower priority security interest.
- (b) The Amsteel Corporation Berhad ("Amsteel") Bonds and Amsteel shares attached to the Amsteel Bonds received by the Company (Note 20).
- (c) The Redemption Account held by the Company. The Redemption Account will capture the "Dedicated Cash Flows".

Dedicated Cash Flows means cash flows from the following sources:

- (i) net surplus proceeds from the disposal of any assets in the proposed divestment programme for the Group over which there is presently a charge, if applicable;
- (ii) net proceeds from the disposal of any assets in the proposed divestment programme for the Group over which there is presently no charge;

- (iii) proceeds from the redemption of the Amsteel Bonds;
- (iv) any Back-End Amount and Loyalty Payment received by the Company as a holder of the Amsteel Bonds;
- (v) net proceeds from the disposal of Amsteel shares received by the Company pursuant to the GWRS for the Group;
- (vi) net proceeds from the disposal of equity-kicker shares attached to the Amsteel Bonds;
- (vii) dividend payments from Sabah Forest Industries Sdn Bhd from year 2002 to 2011; and
- (viii) subject to the proportions allocated to holders of the LICB Bonds and the USD Debts, net proceeds from the disposal of any residual assets (other than assets in the proposed divestment programme for the Group) of the Group.

Monies captured in the Redemption Account can only be used towards redemption of the LICB Bonds and repayment of the USD Debts (including payment of taxes, fees and other costs relating to the GWRS) and cannot be utilised for any other purposes.

LICB Bonds and USD Debts rank *pari passu* amongst each other over the Securities held by the Security Trustee under items (a) to (c) above.

In addition, the following are securities provided in respect of the USD Debts issued by Harta (L), a subsidiary company:

- (a) assignment of all the rights attaching to the LICB Debts to Harta (L), including the rights to receive payments from the Company and rights to other entitlements;
- (b) a debenture over the LICB Debts of Harta (L);
- (c) a charge over the Redemption Account of Harta (L). The Redemption Account will capture the proceeds from the repayment of the LICB Debts; and
- (d) corporate guarantee by the Company to the Facility Agent for the benefit of holders of the USD Debts.

LICB Bonds and USD Debts rank *pari passu* with all other unsecured and unsubordinated creditors of the Company in respect of the Company's assets which are not part of the Securities and Dedicated Cash Flows.

As reported in the previous financial statements, in consideration of the holders of LICB Bonds and USD Debts granting the indulgence and approval to vary the redemption date and the repayment date of LICB Bonds and USD Debts, the following additional securities were charged in favour of the Security Trustee:

- (i) 99% of the issued and paid-up capital comprising 665,181,000 ordinary shares of RM1.00 each in AMSB;
- (ii) approximately 16.64% of the issued and paid-up capital comprising 58,018,645 ordinary shares of RM0.50 each in LDHB;
- (iii) approximately 23.44% of the issued and paid-up capital comprising 47,627,236 ordinary shares of RM1.00 each in LFIB; and
- (iv) shares in subsidiary companies of the Company, other than AMSB, LDHB (became associated company since 2004) and LFIB, with an adjusted net tangible assets of RM5 million or more, if any, provided such shares are not encumbered.

36. LONG-TERM BORROWINGS

	The Group	
	2005	2004
	RM'000	RM'000
Outstanding loans:		
Secured:		
Principal	1,433,498	1,515,612
Portion due within one year (Note 34)	(229,630)	-
	1,203,868	1,515,612
Unsecured:		
Principal	2,730	3,237
Portion due within one year (Note 34)	(416)	(500)
	2,314	2,737
Non-current portion	1,206,182	1,518,349

The non-current portion is repayable as follows:

	The Group	
	2005	2004
	RM'000	RM'000
Financial years ending 30 June:		
2006	-	18,888
2007	61,432	137,797
2008	301,832	230,180
2009	274,320	179,680
2010 and thereafter	568,598	951,804
	1,206,182	1,518,349

The long-term borrowings pertaining to certain subsidiary companies are secured against property, plant and equipment (Note 13) and fixed and floating charge over the other assets of the said subsidiary companies.

The long-term borrowings bear interest at rates ranging from 5.8% to 8.5% (2004: 5.8% to 8.5%) per annum.

The currency exposure profile of long-term borrowings is as follows:

	The Group	
	2005	2004
	RM'000	RM'000
Ringgit Malaysia	638,293	795,684
United States Dollar	567,889	722,665
	1,206,182	1,518,349

37. DEFERRED LIABILITIES

	The Group	
	2005 RM'000	2004 RM'000
Deferred payables	48,840	96,211
Security deposits	-	3,503
	<u>48,840</u>	<u>99,714</u>

Deferred payables pertaining to a subsidiary company, AMSB, represent the restructured liabilities pertaining to the acquisition of plant and equipment. The amounts are unsecured and interest-free.

The deferred payables are repayable as follows:

	The Group	
	2005 RM'000	2004 RM'000
Financial years ending 30 June:		
2006	-	47,371
2007	48,840	48,840
	<u>48,840</u>	<u>96,211</u>

The deferred liabilities are denominated in Ringgit Malaysia.

38. SHARE CAPITAL

	The Group and The Company	
	2005 RM'000	2004 RM'000
Ordinary shares of RM1.00 each		
Authorised:		
At beginning and end of year	<u>750,000</u>	<u>750,000</u>
Issued and fully paid:		
At beginning of year	679,235	679,235
Issue of shares	17,821	-
At end of year	<u>697,056</u>	<u>679,235</u>

During the financial year, the issued and paid-up share capital of the Company was increased from RM679,235,465 divided into 679,235,465 ordinary shares of RM1.00 each to RM697,056,465 divided into 697,056,465 ordinary shares of RM1.00 each by the issuance of 17,821,000 new ordinary shares of RM1.00 each at par for cash pursuant to the Executive Share Option Scheme (“ESOS”) of the Company.

The new ordinary shares issued ranked *pari passu* in all respects with the then existing ordinary shares of the Company.

The ESOS of the Company became effective on 15 May 2000 and expired on 14 May 2005. The main features of the ESOS were as follows:

- (a) The ESOS shall continue to be in force for a period of 5 years commencing on 15 May 2000, being the date of approval from the Companies Commission of Malaysia, with an option to renew for a further period of 5 years upon the recommendation of the option committee.
- (b) The total number of shares available under the ESOS shall not exceed in aggregate 10% of the issued share capital of the Company at any point in time during the existence of the ESOS.
- (c) The ESOS is for eligible employees who are executive Directors and executive employees of Lion Industries Corporation Berhad (“LICB”) Group with at least 12 months of service.
- (d) The options granted may be exercised at any time during the period commencing on the date of offer of the option and expiring on the date of expiry of the ESOS.
- (e) The option price for each RM1.00 share may be at a discount of not more than 10% on the average of the mean market quotation of LICB shares as shown in the Daily Official List issued by Bursa Malaysia Securities Berhad for the 5 market days immediately preceding the respective dates of offer of the option as recommended by the option committee. Notwithstanding this, the option price per share shall in no event be less than the par value of the share.
- (f) The option is non-assignable.
- (g) The shares to be allotted under the ESOS shall rank *pari passu* in all respects with the then existing shares of the Company.

The persons to whom the options have been granted have no right to participate by virtue of the options in any share issue of any other company.

The movements of number of options granted, exercised and lapsed pursuant to the ESOS during the financial year are as follows:

Exercisable from	Subscription price per share RM	Balance as of 1.7.2004	Number of options			Balance as of 30.6.2005
			Granted	Exercised	Lapsed	
19.5.2000	1.00	2,323,000	–	(2,144,000)	(179,000)	–
24.9.2003	1.00	4,923,000	–	(4,705,000)	(218,000)	–
27.4.2004	1.00	11,823,000	–	(10,972,000)	(851,000)	–
		19,069,000	–	(17,821,000)	(1,248,000)	–

39. RESERVES

	The Group		The Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Non-distributable reserves:				
Share premium	515,190	515,190	515,190	515,190
Translation adjustment account	34,560	56,058	-	-
Negative goodwill	769,593	828,679	-	-
	1,319,343	1,399,927	515,190	515,190
Unappropriated profit/(Accumulated loss)	261,589	(55,961)	(137,683)	(138,878)
	1,580,932	1,343,966	377,507	376,312

Share premium

Share premium arose from the issue of shares in the Company at a premium in prior years.

Translation adjustment account

Exchange differences arising from the translation of foreign subsidiary and associated companies are taken to the translation adjustment account.

Negative goodwill

Negative goodwill represents the excess of the fair value of the identifiable net assets over the purchase consideration for an acquisition at the date of acquisition.

Unappropriated profit/(Accumulated loss)

Based on the prevailing tax rate applicable to dividends, the estimated tax credits available and the tax exempt income mentioned in Note 11, the Company has sufficient tax credits to frank the payment of dividends of approximately RM63 million (2004: RM52 million) without additional tax liabilities being incurred. Any dividend paid in excess of this amount would result in tax liability calculated at 28% on the gross amount of the additional dividend paid.

40. DIVIDEND

A first and final dividend of 1%, less tax, amounting to RM4.9 million proposed in respect of ordinary shares in previous financial year and dealt with in the previous directors' report was paid by the Company during the financial year.

The Directors propose a first and final dividend of 1%, less tax, amounting to RM5.0 million in respect of the current financial year. The dividend, which is subject to approval by the shareholders at the forthcoming Annual General Meeting, has not been included as a liability in the financial statements. Gross dividend per share during the financial year is 1 sen (2004: 1 sen).

41. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

	The Group		The Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Cash and bank balances (Note 30) (unrestricted)	55,271	62,643	190	340
Fixed deposits with (Note 30):				
Licensed banks (unrestricted)	108,810	168,869	19,456	7,320
Licensed financial institutions	–	1,400	–	–
Housing Development Accounts (Note 30)	20,072	16,284	10,964	11,140
Bank overdrafts (Note 34)	(89,567)	(52,071)	–	–
	94,586	197,125	30,610	18,800

42. RELATED PARTY TRANSACTIONS

Related parties are entities in which certain Directors or substantial shareholders of the Company or its subsidiary companies or persons connected to such Directors or substantial shareholders have interest, excluding those parties disclosed in Notes 18, 19 and 29.

Significant transactions undertaken with related parties are as follows:

(a) Sales and purchase of goods and services and interest

Name of Company	Nature	The Group		The Company	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Megasteel Sdn Bhd	Sales of goods	1,320,704	564,500	–	–
	Purchase of goods, raw materials and consumables	893,914	456,894	–	–
	Interest income	8,064	5,538	–	–
Secomex Manufacturing (M) Sdn Bhd	Purchase of gases	6,879	–	–	–
Angkasa Hong Leong Pte Ltd	Sales of goods	35,935	79,783	–	–
	Purchase of raw materials	5,182	–	–	–
Hubei Jinlongquan (Group) Co Ltd group	Purchase of raw materials and consumables	–	15,091	–	–



Name of Company	Nature	The Group		The Company	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Bright Steel Sdn Bhd	Sales of goods	15,853	14,452	-	-
Lion Holdings Pte Ltd	Purchase of raw materials	194	9,593	-	-
Likom Computer System Sdn Bhd	Rental income	4,913	7,108	4,913	7,108
	Interest income	2,995	2,434	2,995	2,434
Silverstone Berhad	Trade sales	372	2,235	-	-
Parkson Corporation Sdn Bhd	Rental income	2,667	6,669	-	-
Lion Tooling Sdn Bhd	Purchase of tooling	4,212	2,943	-	-
Singa Logistics Sdn Bhd	Transportation charges	3,655	2,815	-	-

The outstanding balances arising from the above transactions are as follows:

	The Group		The Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Receivables:				
Included in trade receivables	328,026	238,901	-	-
Included in other receivables	101,037	71,065	56,589	48,203
Payables:				
Included in trade payables	47,790	84	-	-
Included in other payables	14,618	14,836	225	1,190

The outstanding balances with related parties are either interest free or bear interest at 8% (2004: 1% or 8%) per annum and have no fixed terms of repayment.

The Directors of the Company are of the opinion that the above transactions have been entered into in the normal course of business and have been established under terms that are no less favourable than those arranged with independent third parties.

(b) Share options granted and remuneration payable to Directors

The number of options over ordinary shares of RM1.00 each of the Company granted to executive Directors of the Group are as follows:

	Unexercised options	
	2005 '000	2004 '000
Datuk Cheng Yong Kim	-	457
Dato' Kamaruddin @ Abas bin Nordin*	-	231

* Executive Director of a subsidiary company.

The share options were granted to the Directors on the same terms and conditions as those offered to other eligible executives of the Group (Note 38).

The details of the remuneration of the Directors of the Company are disclosed in Note 7.

43. SEGMENTAL INFORMATION

(a) Business Segments:

The Group's activities are classified into seven (7) major business segments:

- Steel – manufacture and marketing of steel bars, wire rods, hot briquetted iron and steel related products;
- Property and construction – property development and management and construction works;
- Timber extraction and pulp and paper – integrated wood-based activities and pulp and paper mill operations;
- Tyre – manufacture and sale of tyres;
- Beverage – manufacture and sale of beer and non-alcoholic drinks (disposed of in the previous financial year);
- Building materials – trading and distribution of building materials and other steel products; and
- Others – investment holding, treasury business, manufacture and trading of lubricants, spark plugs, plastic components, industrial chemical products and automotive components and education services, none of which is of a sufficient size to be reported separately.

Inter-segment revenue comprises sales of goods and income from other business segments. These transactions are conducted on an arm's length basis under terms, conditions and prices not materially different from transactions with non-related parties.

Capital additions comprise additions to property, plant and equipment, expenditure carried forward and plantation development expenditure.

**The Group
2005**

	Steel RM'000	Property and construction RM'000	Timber extraction and pulp and paper RM'000	Tyre RM'000	Building materials RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue								
External revenue	3,293,536	47,233	383,588	-	153,658	87,141	-	3,965,156
Inter-segment revenue	20,192	2,097	-	-	-	-	(22,289)	-
Total revenue	3,313,728	49,330	383,588	-	153,658	87,141	(22,289)	3,965,156
Results								
Segment results	284,110	17,676	47,098	-	1,397	(16,507)	-	333,774
Unallocated costs								(4,385)
Profit from operations								329,389
Finance costs								(140,011)
Share in results of associated companies	-	-	-	-	-	214,557	-	214,557
Income from other investments								39,370
Loss on disposal of investments for debt settlement								(47,044)
Profit before tax								396,261
Income tax expense								(61,035)
Profit after tax								335,226
Minority interests								(7,661)
Net profit for the year								327,565
Assets								
Segment assets	2,978,460	590,117	1,423,223	180,670	64,140	116,373	-	5,352,983
Investment in associated companies	-	-	-	-	-	479,221	-	479,221
Unallocated corporate assets								61,939
Consolidated total assets								5,894,143
Liabilities								
Segment liabilities	2,343,042	305,445	34,415	50,617	17,009	237,268	-	2,987,796
Unallocated liabilities								145,932
Consolidated total liabilities								3,133,728
Other Information								
Capital additions	82,188	2,304	36,576	136,118	309	9,829	-	267,324
Depreciation and amortisation	82,135	3,378	30,502	-	157	14,268	-	130,440
Other non-cash expenses/(income)	(9,805)	(370)	-	-	1,849	10,960	-	2,634

**The Group
2004**

	Steel RM'000	Property and construction RM'000	Timber extraction and pulp and paper RM'000	Beverage RM'000	Building materials RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue								
External revenue	2,368,232	84,717	398,441	378,443	303,246	104,789	-	3,637,868
Inter-segment revenue	58,487	3,120	-	-	11,394	-	(73,001)	-
Total revenue	2,426,719	87,837	398,441	378,443	314,640	104,789	(73,001)	3,637,868
Results								
Segment results	301,921	31,622	59,247	24,904	2,448	(46,394)	-	373,748
Unallocated costs								(3,496)
Profit from operations								370,252
Finance costs								(153,906)
Share in results of associated companies	-	-	-	5,985	-	2,798	-	8,783
Income from other investments								34,042
Gain on disposal of subsidiary companies	-	-	-	314,606	-	-	-	314,606
Profit before tax								573,777
Income tax expense								(98,389)
Profit after tax								475,388
Minority interests								(139,164)
Net profit for the year								336,224
Assets								
Segment assets	2,824,063	690,654	1,425,042	-	102,614	219,210	-	5,261,583
Investment in associated companies	-	-	-	-	-	354,177	-	354,177
Unallocated corporate assets								38,791
Consolidated total assets								5,654,551
Liabilities								
Segment liabilities	2,356,906	395,149	40,550	-	28,074	260,124	-	3,080,803
Unallocated liabilities								144,309
Consolidated total liabilities								3,225,112
Other Information								
Capital additions	59,181	612	30,478	27,274	162	6,815	-	124,522
Depreciation and amortisation	73,480	3,199	31,604	35,464	138	11,392	-	155,277
Other non-cash expenses	6,572	154	3,448	308	1,256	36,653	-	48,391

(b) Geographical Segments:

The Group operates in three (3) main geographical areas:

- Malaysia – manufacture and distribution of steel products, property development and management, construction works, timber extraction and pulp and paper and building materials and consumables;
- People's Republic of China – manufacture and sale of tyres, beer and non-alcoholic drinks, plastic components, industrial chemical products and automotive parts; and
- Others – investment holding.

	Revenue		Total Assets		Capital Additions	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Malaysia	3,306,654	2,417,721	5,636,280	5,514,759	123,980	93,640
People's Republic of China	20,173	418,391	238,843	113,786	143,344	30,882
Others	638,329	801,756	19,020	26,006	–	–
	<u>3,965,156</u>	<u>3,637,868</u>	<u>5,894,143</u>	<u>5,654,551</u>	<u>267,324</u>	<u>124,522</u>

In determining the geographical segments of the Group, revenue are based on the country in which the customer is located. Total assets and capital additions are determined based on where the assets are located.

44. CONTINGENT LIABILITIES (UNSECURED)

- (a) Contingent liabilities in respect of guarantees given by the Company for borrowings and other credit facilities obtained and utilised by a subsidiary company are as follows:

	The Company	
	2005 RM'000	2004 RM'000
Subsidiary company	2,730	3,237

- (b) Contingent liabilities of a subsidiary company, Sabah Forest Industries Sdn Bhd ("SFI"), are as follows:

	The Group	
	2005 RM'000	2004 RM'000
Legal claims in respect of the termination of contracts for the extraction and sale of timber	313,300	313,300

Indemnity contracts have been signed between LFIB, the immediate holding company of SFI and Avenel, the former immediate holding company of LFIB, whereby Avenel agrees to indemnify LFIB in full for all losses, damages, liabilities, claims, costs and expenses whatsoever which LFIB may incur or sustain as a result of or arising from the litigation suits and any other claims brought by third parties against SFI wherein the cause of action arises prior to the completion of the acquisition of SFI.

45. CAPITAL COMMITMENTS

As of the end of the financial year, the Group and the Company have the following capital commitments:

	The Group		The Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Approved and contracted for:				
Acquisition of land	100,366	100,366	-	-
Acquisition of plant and machinery	16,816	21,149	-	-
	117,182	121,515	-	-
Approved but not contracted for:				
Acquisition of plant and machinery	10,084	18,809	-	-
Plantation development expenditure	15,527	16,944	-	-
	25,611	35,753	-	-
	142,793	157,268	-	-

In addition, as mentioned in Note 2, the Group has entered into a conditional sale and purchase of shares agreement for the acquisition of the entire shareholding in Silverstone Berhad for a purchase consideration of RM225,000,000.

46. FINANCIAL INSTRUMENTS

Financial Instruments

The principal financial assets of the Group are deposits and bank balances, trade and other receivables.

The significant financial liabilities include trade and other payables, bank borrowings, LICB Bonds and USD Debts.

Debts and equity instruments are classified as either liabilities or equity in accordance with the substance of the contractual arrangement.

Bank borrowings are recorded at the proceeds received. Finance charges are accounted for on an accrual basis.

Equity instruments are recorded at the proceeds received net of direct issue costs.

The accounting policies applicable to the major financial instruments are as disclosed in Note 4.

Financial Risk Management Objectives and Policies

The operations of the Group are subject to a variety of financial risks, including foreign currency risk, interest rate risk, credit risk, liquidity risk and cash flow risk. The Group has formulated a financial risk management framework whose principal objective is to minimise the Group's exposure to risks and/or costs associated with the financing, investing and operating activities of the Group.

Various risk management policies are made and approved by the Board of Directors for observation in the day-to-day operations for the controlling and management of the risks associated with financial instruments.

(i) Foreign currency risk

The Group has exposure to foreign currency risk as a result of its trade sales and purchases, borrowings and USD Debts. The currencies giving rise to this risk are primarily United States Dollar and Renminbi.

The imposition of currency controls *via* pegging of Ringgit Malaysia to USD at the fixed exchange rate of USD1.00 to RM3.80 by Bank Negara Malaysia since September 1998 has stabilised the risks arising from foreign exchange fluctuation. Subsequently on 21 July 2005, Bank Negara Malaysia announced that the exchange rate of the ringgit will be allowed to operate in a managed float, with its value being determined by economic fundamentals. Bank Negara Malaysia will monitor the exchange rate against a currency basket to ensure that the exchange rate remains close to its fair value.

The currency exposure of Renminbi is limited as Renminbi is the functional currency of the subsidiary companies incorporated in the People's Republic of China.

(ii) Interest rate risk

The Group's significant interest-bearing financial assets and financial liabilities are mainly its deposits placements and also its obligations comprising borrowings, LICB Bonds and USD Debts.

The deposits placements as of balance sheet date, which are interest-bearing, are short-term and therefore its exposure to the effects of future changes in prevailing level of interest rates is limited.

The borrowings, LICB Bonds and USD Debts of the Group as of 30 June 2005 are fixed and floating rate financial liabilities as disclosed in Notes 34 to 36.

(iii) Credit risk

The Group is exposed to credit risk mainly from trade receivables. The Group extends credit to its customers based upon careful evaluation of the customers' financial condition and credit history. The Group also ensures a large number of customers so as to limit high credit concentration in a customer or customers from a particular market.

The Group's exposure to credit risk in relation to its trade receivables, should all its customers fail to perform their obligations as of 30 June 2005, is the carrying amount of these receivables as disclosed in the balance sheet.

(iv) Liquidity risk

The Group practises prudent liquidity risk management to minimise the mismatch of financial assets and liabilities and to maintain sufficient credit facilities for contingent funding requirement of working capital.

(v) Cash flow risk

The Group reviews its cash flow position regularly to manage its exposure to fluctuations in future cash flows associated with its monetary financial instruments.

Fair Values

The fair values of short-term financial assets and financial liabilities reported in the balance sheet approximate their carrying amounts because of the immediate or short-term maturity of these financial instruments.

The fair values of long-term financial assets (except for other investments - unquoted) and financial liabilities are determined based on market conditions or by discounting the relevant cash flows using the current interest rates for similar instruments at balance sheet date. There is no material difference between the fair values and carrying values of these assets and liabilities as of the balance sheet date except for the quoted shares, which quoted market prices are used to determine the fair value:

	The Group		The Company	
	Carrying Value RM'000	Fair Value RM'000	Carrying Value RM'000	Fair Value RM'000
2005				
Long-term investments:				
- quoted shares	<u>22,938</u>	<u>13,163</u>	<u>15,095</u>	<u>7,219</u>
2004				
Long-term investments:				
- quoted shares	<u>125,648</u>	<u>30,485</u>	<u>19,095</u>	<u>8,050</u>

The Directors are of the opinion that the excess carrying values of the quoted shares over their fair values at the balance sheet date is temporary in nature as the underlying adjusted net assets of these companies are above their market prices.

No disclosure is made for other investments - unquoted as it is not practicable to determine the fair values of these investments because of the lack of quoted market prices and the assumptions used in valuation models to value these investments cannot be reasonably determined.

No disclosure is made for balances with related companies and related parties as it is impractical to determine their fair values with sufficient reliability given these balances have no fixed terms of repayment.

47. SUBSIDIARY COMPANIES

The subsidiary companies, all incorporated in Malaysia except as otherwise indicated, are as follows:

Name of Company	Effective Percentage Ownership		Principal Activities
	2005 %	2004 %	
Property Division			
* Amble Legacy Sdn Bhd	100	100	Investment holding
Batu Pahat Enterprise Sdn Berhad	94	94	Dormant
* Beijing Trostel Property Development Co Ltd (incorporated in the People's Republic of China)	95	95	Property development
Berkat Timor Sdn Bhd	100	100	Dormant
Citibaru Sendirian Berhad	100	100	Dormant
* Crest Wonder Sdn Bhd	100	100	Investment holding
JOPP Builders Sdn Bhd	100	100	Contractor for construction and civil engineering works
Kisan Agency Sdn Bhd	100	100	Property development
LLB Bina Sdn Bhd	100	100	Property development
LLB Damai Holdings Sdn Bhd	100	100	Investment holding and management company
LLB Indah Permai Sdn Bhd	100	100	Property development
Lion Courts Sdn Bhd	100	100	Property development
Lion Klang Parade Bhd	-	100	Property holding and development
Malim Courts Property Development Sdn Bhd	100	100	Property development and investment holding
Malim Jaya (Melaka) Sdn Bhd	100	100	Property development
* Matrix Control Sdn Bhd	100	100	Investment holding
Mcken Sdn Bhd	100	100	Property development
PM Holdings Sdn Bhd	100	100	Investment holding and property development
Projek Jaya Sdn Bhd	100	100	Investment holding
Seri Lalang Development Sdn Bhd	100	100	Ceased operations

Name of Company	Effective Percentage Ownership		Principal Activities
	2005 %	2004 %	
Property Division			
Sharikat Pengangkutan East West Sdn Bhd	100	100	Ceased operations
Soga Sdn Bhd	94	94	Property development
Sucorp Enterprise Sdn Bhd	100	100	Investment holding
Sumber Realty Sdn Bhd	100	100	Property development and investment holding
Syarikat Pekan Baru Kemajuan Berhad	100	100	Property development
* Tianjin Baden Real Estate Development Co Ltd (Incorporated in the People's Republic of China)	95	95	Property development
* Trial Jubilant Sdn Bhd	100	100	Investment holding
Steel Division			
* Amsteel Mills Sdn Bhd	99	99	Manufacture and marketing of steel bars, wire rods and hot briquetted iron
* Amsteel Mills Marketing Sdn Bhd	99	99	Sale and distribution of steel products
* Amsteel Mills Realty Sdn Bhd	99	99	Investment holding
Antara Steel Mills Sdn Bhd	99	99	Manufacture and sale of steel and related products
* LLB Steel Industries Sdn Bhd	100	100	Investment holding
* Steelcorp Sdn Bhd	99	99	Investment holding
Others			
* Amarod Corporation Sdn Bhd (in liquidation - voluntary)	100	100	Manufacture of pre-stressed concrete wire and strand (yet to commence operations as of 30 June 2005)
* Hebei Weiyuan Heilen Bio-Chemical Co Ltd (Incorporated in the People's Republic of China)	33	33	Manufacture of industrial chemicals and related products
* Holdsworth Investment Pte Ltd (Incorporated in Singapore)	76	76	Investment holding

Name of Company	Effective Percentage Ownership		Principal Activities
	2005 %	2004 %	
Others			
* Huangshi Heilen Pharmaceutical Co Ltd (incorporated in the People's Republic of China) (liquidated)	–	36	Manufacture and packaging of pharmaceutical products (ceased operations)
LLB Enterprise Sdn Bhd	69	69	Dormant
LLB Harta (M) Sdn Bhd	100	100	Managing of debts novated from LICB and certain of its subsidiary companies pursuant to a debt restructuring exercise undertaken by LICB and certain of its subsidiary companies
LLB Harta (L) Limited	100	100	Treasury business
LLB Nominees Sdn Bhd	100	100	Investment holding
LLB Strategic Holdings Berhad	90	90	Investment holding
LLB Suria Sdn Bhd	100	100	Investment holding
* LLB Venture Sdn Bhd	100	100	Dormant
* Zhongsin Biotech Pte Ltd (formerly known as Lion Biotech Pte Ltd) (incorporated in Singapore)	61	61	Investment holding
* Lion Motor Venture Sdn Bhd	100	100	Investment holding
Marvenel Sdn Bhd	70	70	Investment holding
Sepang Education Centre Sdn Bhd	90	90	Commercial college for higher education
Worldwide Unilink Education and Consultancy Sdn Bhd	100	100	Provider of educational services and competence based training
* Shanghai Lion Plastic Industrial Co Ltd (incorporated in the People's Republic of China)	68	68	Manufacture and marketing of plastic components and related products
* Slag Aggregate Sdn Bhd	100	100	Investment holding
* Tianjin Hua Shi Auto Meter Co Ltd (incorporated in the People's Republic of China) (in liquidation – voluntary)	56	56	Manufacture of meters for motor vehicles and after sales services (ceased operations)
Lion Forest Industries Berhad	80	83	Investment holding

Name of Company	Effective Percentage Ownership		Principal Activities
	2005 %	2004 %	
<u>Subsidiary Companies of Lion Forest Industries Berhad</u>			
Timber Extraction and Pulp and Paper Division			
Sabah Forest Industries Sdn Bhd	79	81	Integrated wood-based activities and pulp and paper mill operations
Sabah Pulp & Paper Mill Sdn Bhd (in liquidation – voluntary)	79	81	Dormant
SFI Paper Pte Ltd (incorporated in Singapore) (struck off on 17.9.2005)	79	81	Dormant
Others			
Lion Rubber Industries Sdn Bhd	80	83	Investment holding
Ototek Sdn Bhd	56	58	Trading and distribution of lubricants, spark plugs and automotive components
Posim EMS Sdn Bhd (formerly known as Posim Agricultural Products Sdn Bhd)	80	83	Provision of energy management and conservation services (dormant during the year)
Posim Marketing Sdn Bhd	80	83	Trading of building materials and consumer products
Posim Petroleum Marketing Sdn Bhd	80	83	Trading and distribution of petroleum products
Lion Petroleum Products Sdn Bhd (formerly known as Posim Petroleum Products Sdn Bhd)	80	83	Manufacturing of petroleum products
LFIB Plantations Sdn Bhd (formerly known as SC Nominees Sdn Bhd)	80	83	Investment holding (inactive during the year)
Stoller Chemical Company (M) Sdn Bhd (in liquidation - voluntary)	80	83	Dormant
* Silverstone (Hubei) Rubber and Tyre Co Ltd (incorporated in the People's Republic of China)	80	–	Dormant

Name of Company	Effective Percentage Ownership		Principal Activities
	2005 %	2004 %	
Others			
* Quay Class Ltd (incorporated in British Virgin Islands)	80	–	Investment holding (inactive during the year)
* Shandong Silverstone LuHe Rubber & Tyre Co Ltd (incorporated in the People's Republic of China)	60	–	Manufacturing and distribution of tyres

* The financial statements of these companies were examined by auditors other than the auditors of the Company.

48. ASSOCIATED COMPANIES

The associated companies of the Group are as follows:

Name of Company	Financial Year-end	Place of Incorporation	Effective Equity Interest		Principal Activities
			2005 %	2004 %	
Angkasa Welded Mesh Pte Ltd	30 June	Singapore	49	49	Manufacture of welded wire mesh (yet to commence operations as of 30 June 2005)
Changchun Fawer - Lion Auto Electromechanical Co Ltd	31 December	People's Republic of China	50	50	Manufacture of carburettors
CH Rebar Sdn Bhd	31 December	Malaysia	–	20	Cutting and bending steel bars for sale
# Hubei Zenith Heilen Pharmaceutical Co Ltd	31 December	People's Republic of China	15	15	Manufacture and sale of pharmaceutical products
Kamiya Corporation Sdn Bhd	30 June	Malaysia	19	19	Property development (yet to commence operations as of 30 June 2005)
Lion Asia Investment Pte Ltd	30 June	Singapore	20	20	Investment holding

Name of Company	Financial Year-end	Place of Incorporation	Effective Equity Interest		Principal Activities
			2005 %	2004 %	
Lion Diversified Holdings Berhad	30 June	Malaysia	36	45	Investment holding
* Lion Insurance Company Limited	30 June	Malaysia	41	–	Captive insurance business
Sereka Jaya Sdn Bhd	31 December	Malaysia	–	35	Property development (yet to commence operations as of 30 June 2005)
Teck Chiang Investment Pte Ltd	30 June	Singapore	50	50	Property development and investment holding (yet to commence operations as of 30 June 2005)
# Tianjin Huali Motor Co Ltd	31 December	People's Republic of China	25	25	Manufacture of commercial vehicles
Wuhan Wushang & Parkson Enterprise Development Co Ltd	31 December	People's Republic of China	50	50	Mixed commercial property development cum cash and carry retail business

Associated Company of Lion Forest Industries Berhad

Kinabalu Motor Assembly Sendirian Berhad	30 June	Malaysia	17	17	Assembly of commercial vehicles
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The Group has not accounted for the investment in these associated companies under the equity method of accounting as the Directors are of the opinion that the Group is no longer in a position to exercise significant influence in their management. Accordingly, the investment costs or group costs have been included under long-term investments (Note 20).

* Includes 14% equity interest held by Posim Petroleum Marketing Sdn Bhd, a wholly-owned subsidiary company of Lion Forest Industries Berhad.

Except for Sereka Jaya Sdn Bhd and Lion Insurance Company Limited, the financial statements of all the associated companies were examined by auditors other than the auditors of the Company.

STATEMENT BY DIRECTORS

The Directors of **LION INDUSTRIES CORPORATION BERHAD** state that, in their opinion, the accompanying balance sheets and the related statements of income, cash flows and changes in equity are drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as of 30 June 2005 and of the results of the businesses and the cash flows of the Group and of the Company for the year ended on that date.

Signed in accordance with
a resolution of the Directors,

DATUK CHENG YONG KIM

CHENG YONG LIANG

Kuala Lumpur,
5 October 2005

DECLARATION BY THE DIRECTOR PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF THE COMPANY

I, **DATUK CHENG YONG KIM**, the Director primarily responsible for the financial management of **LION INDUSTRIES CORPORATION BERHAD**, do solemnly and sincerely declare that the accompanying balance sheets and the related statements of income, cash flows and changes in equity are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

DATUK CHENG YONG KIM

Subscribed and solemnly declared by the
abovenamed **DATUK CHENG YONG KIM**
at **KUALA LUMPUR** in the Federal Territory
on the 5th day of October 2005.

Before me,

W-217
P. SETHURAMAN
COMMISSIONER FOR OATHS
Kuala Lumpur

MATERIAL CONTRACTS

INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

1. Letter of Offer dated 11 December 2003 between the Company and Lion Forest Industries Berhad ("LFIB"), a subsidiary of the Company, with the agreement of Sabah Forest Industries Sdn Bhd ("SFI"), a 97.78% owned subsidiary of LFIB and Amsteel Mills Sdn Bhd ("AMSB"), a 99% owned subsidiary of the Company (superseding the letter of offer dated 9 June 2003 made between SFI and AMSB), collectively companies wherein a Director and certain major shareholders of the Company have an interest, and Financing Agreement dated 23 June 2004 made between the Company, SFI, LFIB and AMSB whereby LFIB lends up to RM100 million at an interest rate of 12% per annum (the sum of which is advanced from SFI) to the Company which in turn advances to AMSB ("Facility") to facilitate the financing required by AMSB for the completion of a steel meltshop facility located in Banting, Selangor Darul Ehsan, to be fully repaid by 30 June 2009.

The first interest payment shall be made 12 months from the date of first drawdown and thereafter it shall be payable semi-annually in arrears. The principal shall be repaid by annual instalments. The Facility is secured by the creation of the following:

- (a) Third party second charge over the non-vacant plot of land held under HS(D) 13425, PT 17216, Mukim Tanjung Dua Belas, District of Kuala Langat, Selangor Darul Ehsan ("Property") (including the building and meltshop but excluding the rolling mill) which ranks in priority to the first charge created in favour of the existing lenders of AMSB; and
 - (b) Third party second debenture comprising a fixed charge over the non-vacant plot of the Property (excluding the rolling mill) which ranks in priority to the first debenture charge created in favour of the existing lenders of AMSB.
2. Conditional Sale and Purchase of Shares Agreement dated 31 January 2005 and the Supplemental Agreement dated 19 April 2005 among Quay Class Ltd ("QCL"), a wholly-owned subsidiary of LFIB, LFIB and Silverstone Corporation Berhad ("SCB"), all of which are companies wherein a Director and certain major shareholders of the Company have an interest, for the disposal by SCB of the entire equity interest in Silverstone Berhad ("SB") comprising 203,877,500 ordinary shares of RM1.00 each to QCL, including the assumption by QCL of the net inter-company balances owing by SCB, its subsidiary and associated companies to SB as at the completion date, for a total consideration of RM225,000,000.00 to be satisfied by the issuance of 26,500,000 new ordinary shares of RM1.00 each in LFIB to SCB at an issue price of RM2.74 per share and the balance of RM152,390,000.00 to be settled by way of deferred cash payments by QCL in the following manner:
 - (a) RM20,000,000.00 on or before 15 December 2006;
 - (b) RM35,000,000.00 on or before 15 December 2007;
 - (c) RM35,000,000.00 on or before 15 December 2008; and
 - (d) RM62,390,000.00 on or before 15 December 2009.
 3. Conditional Deferment Agreement dated 6 July 2005 made between the Company and Likom Computer System Sdn Bhd ("LCS"), a company wherein a Director and certain major shareholders of the Company have an interest, for the deferment of the redemption date of the remaining 30,520,400 cumulative redeemable preference shares of RM0.01 each in LCS held by the Company from 28 June 2005 to 28 December 2005.

INFORMATION ON LEVEL 1 SPONSORED AMERICAN DEPOSITARY RECEIPT PROGRAMME

The Company has registered with the Securities and Exchange Commission of the United States of America, a Level 1 Sponsored American Depositary Receipt ("ADR") Programme on 30 December 1992.

Under the ADR Programme, a maximum of 5% of the total issued and paid-up share capital of the Company will be traded in the US OTC Market in the United States of America in the ratio of one ADR for every one ordinary share of RM1.00 each fully paid in the Company. The Company's trading symbol on the US OTC Market is LICUY and its CUSIP number is 53620V100.

The depository bank for the ADR Programme is The Bank of New York and the sole custodian of the Company's shares for the ADR Programme is Malayan Banking Berhad ("MBB"), Kuala Lumpur.

As at 15 September 2005, none of the ordinary shares of the Company was deposited with MBB for the ADR Programme.



LIST OF GROUP PROPERTIES

AS OF 30 JUNE 2005

	Address	Tenure/ Expiry Date for Leasehold	Area	Description	Age of Building (Year)	Net Book Value (RM million)	Date of Acquisition/ Last Revaluation
1.	PT 19268-69 Mukim of Bukit Raja Klang, Selangor	Freehold	1.1 hectares	Commercial land where development is in progress	-	3.7	27 September 1993
2.	PT 19263 Mukim of Bukit Raja Klang, Selangor	Freehold	0.5 hectare	Commercial land where development is in progress	-	0.1	27 September 1993
3.	Melaka Technology Park PT 3852, HS(D) 34924 Mukim of Cheng District of Melaka Tengah Melaka	Leasehold 14.8.2096	37.6 hectares	Factory buildings	13	97.4	September 1994
4.	PT 19254-59 & 19264 Mukim of Bukit Raja Klang, Selangor	Freehold	0.2 hectare	Commercial land where development is in progress	-	0.1	30 October 1992
5.	Taman Supreme Mukim of Cheras Kuala Lumpur	Freehold	11.9 hectares	Land for future development	-	7.4	June 1991
6.	PT 862-3348 Mukim of Bacang Melaka	Leasehold 12.4.2081 (residential) 22.8.2077 (industrial)	3.4 hectares	Land where development is in progress	-	12.9	June 1991
7.	Lot 1553, Section 2 Bandar Tanjung Tokong Pulau Pinang	Freehold	0.3 hectare	Land & buildings	6	2.3	June 1991
8.	Lot 4534 Mukim of Simpang Kanan Batu Pahat, Johor	Freehold	4.8 hectares	Land where development is in progress	-	2.4	June 1991
9.	Lot 11233 HS(D) 60874 Taman Tayton, Cheras Kuala Lumpur	Freehold	620 sq metres	Land for future development	-	0.1	June 1991
10.	Lot 7623 Kepong Utara Mukim of Batu Kuala Lumpur	Leasehold 30.3.2086	4.9 hectares	Land where development is in progress	-	14.8	30 June 1990
11.	Mukim 17 North East District Batu Ferringhi Pulau Pinang	Freehold	28.7 hectares	Land for future development	-	32.1	June 1991
12.	PT 19261 Mukim of Bukit Raja Klang, Selangor	Freehold	2.1 hectares	Land for future development	-	2.8	September 1993
13.	Lot 408, 937 & 2090 Mukim of Plentong Johor Bahru	Freehold	2.8 hectares	Land for future development	-	0.2	June 1991

Address	Tenure/ Expiry Date for Leasehold	Area	Description	Age of Building (Year)	Net Book Value (RM million)	Date of Acquisition/ Last Revaluation
14. PT 798 & 885 Mukim of Jerai District of Jempol Negeri Sembilan	Freehold	0.1 hectare	Land & buildings	3	0.1	6 September 1994
15. PT 3494 Mukim of Bukit Raja Klang, Selangor	Leasehold 9.11.2085	24.0 hectares	Industrial land & buildings	28	37.6	22 October 1994
16. PT 17631 Mukim of Bukit Raja Klang, Selangor	Leasehold 29.10.2091	2,880 sq metres	Industrial land & buildings	28	0.2	22 October 1994
17. PT 23992, HS(D) 48446 Mukim of Kapar Klang, Selangor	Leasehold 29.3.2087	10.4 hectares	Industrial land	-	8.8	22 October 1994
18. PT 3510, HS(D) 24284 Mukim of Bukit Raja Klang, Selangor	Leasehold 21.10.2088	2.9 hectares	Industrial land & buildings	10	9.4	22 October 1994
19. Lot No 273 Mukim of Teluk Panglima Garang Kuala Langat, Selangor	Freehold	1.53 hectares	Land	-	0.9	June 2005
20. Lot 2320 & 2323B Mukim of Tanjung Dua Belas District of Kuala Langat Selangor	Freehold	71.6 hectares	Industrial land & buildings	5	271.0	1996
21. Beijing Lu, Fengxi Town Qingpu County Shanghai, China	Leasehold 30.6.2043	7.1 hectares	Office & factory buildings	11	7.6	1 July 1993
22. 186, Yellow River Road Zhejiazhuang New and Hi-Tech Industrial Development Zone Hebei, China	Leasehold 1.6.2026	20,100 sq metres	Industrial land & buildings	8-9	0.4	June 1996
23. Pasir Gudang Industrial Estate 81707 Pasir Gudang, Johor - PLO 417, Jalan Gangsa Satu - PLO 218, Jalan Gangsa Satu - PLO 277, Jalan Gangsa Satu	Leasehold 17.6.2052 26.12.2056 29.9.2038	6.3) 4.4) 6.5) hectares	Industrial land & buildings	14 10 27	12.3) 13.4) 14.8)	September 2002
24. PLO 495, Jalan Keluli Pasir Gudang Industrial Estate 81707 Pasir Gudang, Johor	Leasehold 6.2.2025	11.1 hectares	Industrial land & buildings	10	8.7	September 2002
25. Jalan Perjiranan 10 81707 Pasir Gudang, Johor	Leasehold 5.6.2082	18,480 sq feet	Residential	19	0.6	September 2002
26. Blok 6, Taman Mawar 81700 Pasir Gudang, Johor	Leasehold 22.2.2087	11,832 sq feet	Residential	13	0.2	September 2002

	Address	Tenure/ Expiry Date for Leasehold	Area	Description	Age of Building (Year)	Net Book Value (RM million)	Date of Acquisition/ Last Revaluation
27.	Blok 2-4, 17 & 18 Taman Cendana 81700, Pasir Gudang, Johor	Leasehold 28.4.2093	210,972 sq feet	Residential	8-10	8.6	September 2002
28.	Blok 86 & 87 Jalan Tembusu Taman Air Biru 81700 Pasir Gudang, Johor	Leasehold 2.11.2085	33,162 sq feet	Residential	11	1.4	September 2002
29.	PT 4004/HS(D) KK123/85 Taman Sri Guchil Kuala Krai, Kelantan	Freehold	148.65 sq metres	Double storey shophouse	5	0.1	September 2002
30.	3, Jalan SS13/3B 47500 Petaling Jaya Selangor	Freehold	10,005 sq feet	Industrial land & buildings	16	1.0	March 2003
31.	Lot 72, Persiaran Jubli Perak 40000 Shah Alam Selangor	Freehold	5 acres	Industrial land & buildings	11	9.7	March 2003
32.	12 & 12/1 Jalan Nangka Tiga Taman Rumpun Bahagia 75300 Bacang, Melaka	Leasehold 21.7.2084	1,650 sq feet	Land & buildings	20	0.1	March 2003
33.	Centre Point Business Park Unit No: B-8-1 & B-8-2 5, Jalan Tanjung Karamat 26/35, Seksyen 26 40400 Shah Alam Selangor	Freehold	2,716 sq feet	Buildings	7	0.4	March 2003
34.	50-2 & 50-3 Jalan Wangsa 2/5 Taman Wangsa Permai 52200 Kuala Lumpur	Leasehold 21.10.2087	1,400 sq feet	Land & buildings	7	0.2	March 2003
35.	15, Jalan Permatang Rawa 1 Kawasan Perniagaan Permatang Rawa 14000 Bukit Mertajam Pulau Pinang	Freehold	2,240 sq feet	Land & buildings	6	0.7	March 2003
36.	Kampung Sebuoh Mukim of Sipitang Sabah	Leasehold 31.12.2087	291.7 hectares	Land	-	1.6	March 2003
37.	Kampung Sebuoh Mukim of Sipitang Sabah	Leasehold 31.12.2082	79.6 hectares	Land & buildings	17-20	51.7	March 2003
38.	Kampung Sebuoh Mukim of Sipitang Sabah	Leasehold 31.12.2043	23.9 hectares	Land	-	1.5	March 2003

Address	Tenure/ Expiry Date for Leasehold	Area	Description	Age of Building (Year)	Net Book Value (RM million)	Date of Acquisition/ Last Revaluation
39. Kampung Sebuoh Mukim of Sipitang Sabah	Leasehold 31.12.2043	4.0 hectares	Land	-	18.4	March 2003
40. Kampung Sebuoh Mukim of Sipitang Sabah	Leasehold 31.12.2044	58.9 hectares	Land	-	0.1	March 2003
41. Kampung Sebuoh Mukim of Sipitang Sabah	Leasehold 31.12.2048	166.7 hectares	Land & buildings	17-20	395.4	March 2003
42. Kampung Sebuoh Mukim of Sipitang Sabah	Leasehold 31.12.2044	47.0 hectares	Land & buildings	17-20		
43. Kampung Sebuoh Mukim of Sipitang Sabah	Leasehold 31.12.2043	499.0 hectares	Land & buildings	17-20		
44. Kampung Sebuoh Mukim of Sipitang Sabah	Leasehold 31.12.2087	1.5 hectares	Land & buildings	17-20		
45. Kampung Sebuoh Mukim of Sipitang Sabah	Leasehold 31.12.2087	6,107 hectares	Land	-		
46. Kampung Sebuoh Mukim of Sipitang Sabah	Leasehold 31.12.2087	5,860 hectares	Land	-	14.7	March 2003
47. B2-2-39B Jalan Pinggiran 1/3 Taman Pinggiran Putra Seksyen 1 43300 Seri Kembangan Selangor	Leasehold 13.12.2097	678 sq feet	Buildings	3	0.1	July 2004
48. LuHe Industrial Zone Zhucheng City Shandong, China	Leasehold 20.12.2054	157,049 sq metres	Land & buildings	1	47.7	December 2004

ANALYSIS OF SHAREHOLDINGS

Share Capital as at 15 September 2005

Authorised Share Capital	:	RM1,000,000,000
Issued and Paid-up Capital	:	RM697,056,465
Class of Shares	:	Ordinary shares of RM1.00 each
Voting Rights	:	One (1) vote per ordinary share

Distribution of Shareholdings as at 15 September 2005

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
Less than 100	2,698	9.18	135,250	0.02
100 to 1,000	10,484	35.67	6,308,321	0.90
1,001 to 10,000	13,564	46.15	48,057,254	6.89
10,001 to 100,000	2,316	7.88	66,856,295	9.59
100,001 to less than 5% of issued shares	327	1.11	248,470,294	35.65
5% and above of issued shares	3	0.01	327,229,051	46.95
	<u>29,392</u>	<u>100.00</u>	<u>697,056,465</u>	<u>100.00</u>

Thirty Largest Registered Shareholders as at 15 September 2005

Registered Shareholders	No. of Shares	% of Shares
1. RHB Merchant Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lion Corporation Berhad	155,647,301	22.33
2. Megasteel Sdn Bhd	102,000,000	14.63
3. Lembaga Tabung Angkatan Tentera	69,581,750	9.98
4. Lion Corporation Berhad	24,929,608	3.58
5. Lion Diversified Holdings Berhad	23,720,000	3.40
6. Lion Construction & Engineering Sdn Bhd	7,387,530	1.06
7. Mayang Jati (M) Sdn Bhd	6,723,472	0.96
8. Menta Construction Sdn Bhd	5,292,556	0.76
9. Malaysian Trustees Berhad LLB Scheme	5,273,441	0.76
10. Gan Seong Liam	4,400,000	0.63
11. TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Oh Kim Sun	4,177,200	0.60
12. HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Hasrat Jaguh Sdn Bhd (4785-002)	3,662,700	0.53

Registered Shareholders	No. of Shares	% of Shares
13. Ang Choon Kwee	3,650,000	0.52
14. Citicorp Nominees (Asing) Sdn Bhd CBNY for DFA Emerging Markets Fund	3,576,181	0.51
15. Mayang Jati (M) Sdn Bhd	3,100,000	0.44
16. HSBC Nominees (Asing) Sdn Bhd BBH (LUX) SCA for Fidelity Funds South East Asia	2,872,800	0.41
17. Ng Teng Song	2,872,000	0.41
18. Yap Teck Fui	2,785,700	0.40
19. HSBC Nominees (Asing) Sdn Bhd Fidelity Southeast Asia Fund	2,500,000	0.36
20. Citicorp Nominees (Asing) Sdn Bhd UBS AG Singapore for Trevoze Limited	2,250,000	0.32
21. AMMB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Horizon Towers Sdn Bhd (HORI000)	2,227,844	0.32
22. Mayban Nominees (Tempatan) Sdn Bhd Newcom International Limited for Amanvest (M) Sdn Bhd (230521)	2,212,500	0.32
23. Syarikat Hawk Soon Hin Sdn Bhd	2,125,000	0.30
24. Southern Steel Berhad	2,108,152	0.30
25. CIMSEC Nominees (Tempatan) Sdn Bhd CIMB-Principal Asset Management Berhad for Employees Provident Fund Board	2,000,000	0.29
26. Cartaban Nominees (Asing) Sdn Bhd State Street Australia Fund AJF6 for Monetary Authority of Singapore	1,964,600	0.28
27. Mayban Nominees (Tempatan) Sdn Bhd J. P. Morgan Chase Bank Berhad for LLB Suria Sdn Bhd (JPMC Labuan)	1,906,502	0.27
28. Bond Electrical (Kuala Lumpur) Sdn Bhd	1,900,157	0.27
29. AMMB Nominees (Tempatan) Sdn Bhd AmTrustee Berhad for Pacific Pearl Fund (5/1-9)	1,854,000	0.27
30. HSBC Nominees (Asing) Sdn Bhd BNY Brussels for Telstra Superannuation Scheme (1)	1,848,000	0.27

Substantial Shareholders as at 15 September 2005

Substantial Shareholders	Direct Interest		Indirect Interest	
	No. of Shares	% of Shares	No. of Shares	% of Shares
1. Tan Sri Cheng Heng Jem	–	–	323,938,625	46.47
2. Datuk Cheng Yong Kim	1,600,689	0.23	299,998,443	43.04
3. Lion Realty Pte Ltd	–	–	299,918,055	43.03
4. Lembaga Tabung Angkatan Tentera	69,581,750	9.98	–	–
5. Lion Development (Penang) Sdn Bhd	225,257	0.03	295,387,878	42.38
6. Horizon Towers Sdn Bhd	122,290	0.02	292,245,635	41.93
7. Lion Corporation Berhad	180,576,909	25.91	111,668,726	16.02
8. LDH (S) Pte Ltd	–	–	292,245,635	41.93
9. Lion Diversified Holdings Berhad	23,720,000	3.40	292,245,635	41.93
10. Megasteel Sdn Bhd	102,000,000	14.63	–	–
11. Limpahjaya Sdn Bhd	–	–	102,000,000	14.63

Directors' Interests in Shares in the Company and its Related Companies as at 15 September 2005

Save and except for the following, the Directors' interests in shares in the Company and its related companies as at 15 September 2005 are the same as that of 30 June 2005 set out in the Directors' Report for the financial year ended 30 June 2005:

Datuk Cheng Yong Kim
Related Companies

Ordinary Shares	Nominal Value per Ordinary Share	Indirect Interest	
		No. of Shares	% of Shares
Posim EMS Sdn Bhd	RM1.00	800,000	80
Investments in the People's Republic of China		Indirect Interest USD	%
Shandong Silverstone LuHe Rubber & Tyre Co Ltd		30,000,000	75

OTHER INFORMATION

(I) NON-AUDIT FEES

The amount of non-audit fees paid or payable to external auditors for the financial year was RM352,000 (2004: RM37,000).

(II) OPTIONS EXERCISED DURING THE FINANCIAL YEAR

During the financial year ended 30 June 2005, a total of 17,821,000 options were exercised by the eligible employees who are executive Directors and executive employees of the Group at an exercise price of RM1.00 per share pursuant to the Executive Share Option Scheme of the Company.

(III) RECURRENT RELATED PARTY TRANSACTIONS

The aggregate value of transactions conducted during the financial year ended 30 June 2005 were as follows:

Nature of Recurrent Transactions	Related Parties	Amount RM'000
(a) Steel related (i) The sale of scrap iron, steel bars, wire rods, hot briquetted iron, billets and other related products and services	Lion Corporation Berhad Group ("LCB Group") ⁽¹⁾	1,318,594
	Lion Teck Chiang Limited Group ("LTC Group") ⁽¹⁾	35,935
	Lion Forest Industries Berhad Group ("LFIB Group") ⁽¹⁾	20,192
	Amsteel Corporation Berhad Group ("Amsteel Group") ⁽¹⁾	31,407
	Amalgamated Containers Berhad Group ("ACB Group") ⁽¹⁾	15,497
		1,421,625
(ii) The purchase of scrap iron, gases and other related products and services	LCB Group ⁽¹⁾	900,703
	Lion Holdings Pte Ltd Group ⁽¹⁾	194
	ACB Group ⁽¹⁾	2,058
	Amsteel Group ⁽¹⁾	400
	Sims Holdings Sdn Bhd Group ⁽¹⁾	236
	LTC Group ⁽¹⁾	5,182
	Lion Diversified Holdings Berhad Group ("LDHB Group") ⁽¹⁾	443
	909,216	
(iii) The purchase of machinery, spare parts, tools and dies and other related products and services	Amsteel Group ⁽¹⁾	4,212
(iv) The provision of storage, leasing and rental of properties, management and support and other related services	ACB Group ⁽¹⁾	253
	LFIB Group ⁽¹⁾	601
		854
(v) The obtaining of storage, leasing and rental of properties, management and support and other related services	Amsteel Group ⁽¹⁾	768
(vi) The obtaining of marketing, distribution and transportation services	Amsteel Group ⁽¹⁾	3,655

Nature of Recurrent Transactions	Related Parties	Amount RM'000
(b) Property based (i) The provision of storage, leasing, rental of properties and related services	Ributasi Holdings Sdn Bhd Group ("Ributasi Group") ⁽²⁾ LDHB Group ⁽¹⁾	4,913
		5,168
		10,081
(ii) The awarding of contracts, nomination of sub-contractors and consultants for property projects	LCB Group ⁽¹⁾	525
(c) Others (i) The provision of management and support, training and other related services	Silverstone Corporation Berhad Group ("SCB Group") ⁽¹⁾	136
(ii) The obtaining of security services and security communication equipment	Amsteel Group ⁽¹⁾	768
(iii) The purchase of motor vehicles, component parts and other related products and services	LFIB Group ⁽¹⁾ SCB Group ⁽¹⁾	1,108 12
		1,120
(iv) The purchase of office equipment, furniture and other industrial products	LCB Group ⁽¹⁾ Ributasi Group ⁽²⁾	57 17
		74

Notes:

"Group" includes subsidiary and associated companies.

- (1) Company in which a Director and certain major shareholders of the Company have an interest.
(2) Company in which a Director and a major shareholder of the Company have an interest.

(IV) STATUS OF CONDITIONS IMPOSED BY THE SECURITIES COMMISSION (“SC”)

The status of the various conditions imposed by the SC in its approval of the Group Wide Restructuring Scheme (“GWRS”) are as follows:

(a) Status of Compliance on Restructuring of Organisational and Financial Management System

As mentioned in the previous years’ Annual Report, the Group had strengthened its Organisational and Financial Management System through the recruitment of experienced and capable personnel to head the Group’s operations and the streamlining of the management reporting system. Whilst the identification and recruitment of further specialised and skilled human resources is an ongoing process, the Group, as reported previously, had complied with all material recommendations by PricewaterhouseCoopers Consulting Sdn Bhd (“PwC”) as set out in the Circular to Shareholders dated 9 January 2003. Summarised below are the current organisational and financial management structure.

1. ORGANISATION STRUCTURE

As proposed by PwC, the Lion Group organisation structure is currently segregated into three (3) distinct levels covering the structure at the overall Group Management level, Public Listed Company (“PLC”) Management level and also the structure at the various key operating companies (“KOCs”) level.

1.1 Group Management Structure

The Group Executive Chairman heads and oversees the Group’s functions and his primary duties include, amongst others, the setting of overall strategic and business directions for the Lion Group to ensure shareholders’ values are achieved and also to ensure that the objectives of the GWRS are met. In the discharge of his duties, he is supported by the various high level committees including the Group Investment Committees and the Group Management Committee. Members of these committees comprise Group Directors, Group Executive Directors and the Managing Directors of the PLCs. The post of Group Finance Director is currently overseen by a Group Executive Director.

1.2 Lion Industries Corporation Berhad (“LICB”) Management Structure

The LICB’s management structure is headed by a well-balanced and experienced Board of Directors. Reporting directly to the Board is the Managing Director (“MD”) who is accountable for the financial performance and profitability of LICB as well as the implementation of various strategic business plans and objectives of the LICB Group. Together with the Financial Controller, they are responsible for overseeing the divestment plans of the LICB Group. The Chief Executive Officer (“CEO”) and General Managers of the various KOCs also report directly to the MD. The Board is also supported by the Audit Committee, the majority of whom are independent Directors. The Audit Committee is assisted by the internal audit function.

1.3 KOC Organisation Structure

Each KOC is headed by a CEO who is responsible for the operational and financial performance and profitability of the KOC. His team includes the Financial Controller and the heads of department of manufacturing, sales and marketing, management information system and human resource.

2. FINANCIAL MANAGEMENT

The recommendations from PwC to streamline the reporting processes for our China operations as well as to meet the stringent reporting requirements of the GWRS have largely been put in place via the enhancement in the reporting packages in terms of consistency and completeness. The management is also working closely with the Monitoring Accountants to ensure LICB’s financial performance is reported to its lenders in a timely and comprehensive manner.

The LICB Group’s financial management system has been further strengthened following the establishment of the Corporate Risk Management framework which seeks to identify, evaluate, control and monitor various risk profiles faced by the Group.

(b) Status of Proposed Divestment Programme (“PDP”)
(i) Status of the assets to be divested

Assets to be Divested	PDP (Per GWRS)	Completed Up to December 2004	Subsequent to December 2004			
			Concluded Sales Total	Proceeds Received/to be Received (Jan-Dec 05)		
				Actual Jan-June 2005	Projected July -Dec 2005	Projected Jan -Dec 2005
	RM'million	RM'million	RM'million	RM'million (a)	RM'million (b)	RM'million (a) + (b)
By December 2002						
Unlisted shares in pharmaceutical company	2.0	2.0	-	-	-	-
Unlisted shares in automotive company	29.4	29.4	-	-	-	-
Listed shares in financial services company	2.5	2.5	-	-	-	-
	33.9					
By December 2003						
Shares in unlisted companies, industrial land, office block, factories and shoplots in Parade and shopping centre	174.3	18.4	116.1	116.1	* 39.8	155.9
By Decemebr 2004						
Shares in unlisted companies and shoplots in Parade and shopping centre	45.4	-	-	-	* 45.4	45.4
By December 2005						
Shares in unlisted company, factories and apartment	9.7	-	-	-	* 9.7	9.7
By December 2006						
Shares in unlisted companies, commercial land, residential land and shoplots in Parade and shopping centre	278.0	-	-	-	-	-
Total	541.3	52.3	116.1	116.1	94.9	211.0

* The Group is actively looking for potential buyers for its assets/companies under the PDP. Where necessary, the Group will divest other assets which are not under the PDP to redeem/repay the LICB Bonds and USD Debts.

(ii) Transactions completed during the financial period (January-June 2005)

The transactions completed during the financial period are as follows:

- a) The disposal of Lion Klang Parade Bhd:
 - The gross and net divestment proceeds are RM106 million; and
 - All the proceeds have been received in the current financial period.
- b) The redemption of the unlisted preference shares in an unlisted company:
 - The gross and net divestment proceeds are RM10.1 million; and
 - All the proceeds have been received in the current financial period.

(iii) Utilisation of the divestment proceeds received

The divestment proceeds received were/will be used to redeem/repay the LICB Bonds and USD Debts.

(c) Issues Affecting the Joint-Venture Companies in the People's Republic of China ("PRC")

(i) Affecting Lion Industries Corporation Berhad ("LICB")

No.	Issues	Joint-Venture Company ("JV Co")	Steps taken or to be taken to resolve the Issues	Status as at 30 September 2005
1.	The amount of JV Co's capital had exceeded the authorised limit of the provincial Ministry of Commerce (formerly MOFTEC) ("MOC") amounting to USD30 million (equivalent to approximately RM114 million) and any excess must be approved by the MOC in Beijing, PRC.	Tianjin Huali Motor Co Ltd ("THM") (LICB Group's equity holding : 25%)	THM's existing total investment is USD60.24 million (equivalent to approximately RM228.91 million). The Management of LICB Group had liaised with the PRC Party, Tianjin Auto Industry Corporation, that approval need to be sought by the JV Co from MOC in Beijing through the provincial MOC for the excess of USD30.24 million (equivalent to approximately RM114.91 million).	The business of THM is encouraged under the Foreign Investment Catalogue of the PRC and needs only the approval of Tianjin MOC. The issue was resolved as at 14 February 2005.
2.	Property Ownership Right(s) for building(s) ("POR") to be transferred by the PRC Party to the JV Co as PRC Party's contribution to the capital of the JV Co in accordance with the terms of the joint-venture agreement.	Hubei Zenith Heilen Pharmaceutical Co Ltd (LICB Group's equity holding : 25%)	The Management of LICB Group had liaised with the PRC Party, Hubei Zhongtian Joint Stock Company ("HZJ"), that HZJ should apply to the relevant authorities for transfer of the POR for the building located at No. 132, Yang Wan Lu, Jingmen City, Hubei Province, PRC to the JV Co.	Despite the Management of LICB Group's endeavour, this issue could not be resolved as at 11 March 2005.
3.	The lease of the land by the PRC Party to the JV Co has not been registered with the relevant authorities in the PRC.	Hubei Zenith Heilen Pharmaceutical Co Ltd (LICB Group's equity holding : 25%)	The Management of LICB Group had liaised with HZJ to register the lease over the land located at No. 132, Yang Wan Lu, Jingmen City, Hubei Province, PRC with the relevant authorities.	Despite the Management of LICB Group's endeavour, this issue could not be resolved as at 11 March 2005.

Note : *Lion Corporation Berhad ("LCB") acquired the LICB shares, to which the abovecaptioned issues relate, pursuant to the Group Wide Restructuring Scheme involving LCB, LICB, Silverstone Corporation Berhad and Amsteel Corporation Berhad which was implemented on 14 March 2003 ("GWRS"). LCB announced on 14 March 2005 that it did not suffer any loss as a result of the non-resolution of the issues stated in items 2 and 3 above on the expiry of 24 months from the date of implementation of GWRS for the resolution of issues affecting the joint-venture companies of LICB in the PRC.*

(ii) Affecting Amsteel Corporation Berhad ("Amsteel") (prior to the disposal of the joint-venture companies to Lion Diversified Holdings Berhad on 1 June 2004)

No.	Issues	Joint-Venture Company ("JV Co")	Steps taken or to be taken to resolve the Issues	Status as at 30 September 2005
1.	Land Use Right(s) for land(s) ("LUR") to be transferred by the PRC Party to the JV Co as PRC Party's contribution to the capital of the JV Co in accordance with the terms of the joint-venture agreement.	Xian Lucky King Parkson Plaza Co Ltd (Amsteel Group's equity holding : 51%) *	The Management of Amsteel Group had liaised with the PRC Party, Li Feng (Xian) Real Estate Development Co Ltd ("LFXR"), to transfer the LUR of the land located at No. 119, Dong Da Jie, Bei Lin District, Xian, Shanxi Province, PRC to the JV Co.	The LUR certificate for the transfer of the land had been issued and registered in the name of the JV Co. This issue was resolved as at 11 March 2005.
2.	The PRC party has not obtained the LUR or POR certificate in its favour for property leased by the PRC Party to the JV Co or the lease of the LUR or POR to the JV Co has not been registered with the relevant authorities in the PRC.	Sichuan Hezheng Parkson Plaza Co Ltd (Amsteel Group's equity holding : 90%) *	The Management of Amsteel Group had liaised with the PRC Party, Sichuan Hezheng Company Limited by Shares ("SHC"), to obtain the POR certificate for the building located at No. 31, Zong Fu Lu, Jinjiang District, Chengdu City, Sichuan Province, PRC, leased by the PRC Party to the JV Co.	In addition to SHC's letter dated 20 February 2004 confirming that the JV Co may use the POR pending the said transfer, SHC's holding company, Zong Fu Industrial (Group) Co Ltd ("ZFI") had confirmed that SHC had purchased the building from ZFI and that SHC has the right to exercise all rights as the owner of the building including leasing and operation of the building. This issue was resolved as at 14 February 2005.

* As from 1 June 2004, these JV Cos became subsidiaries of Lion Diversified Holdings Berhad ("LDHB") following the disposal of the entire equity interests in the companies holding interests in the said JV Cos ("Disposed Companies") to LDHB. The respective vendors of the Disposed Companies had undertaken to the Securities Commission ("SC") that they shall indemnify LDHB for any losses incurred by LDHB as a result of any non-compliance with the laws and regulations of the PRC.



FORM OF PROXY

I/We

I.C. No./Company No.

of

being a member/members of LION INDUSTRIES CORPORATION BERHAD, hereby appoint

I.C. No.

of

or failing whom

I.C. No.

of

as my/our proxy to vote for me/us and on my/our behalf at the Seventy-Fifth Annual General Meeting of the Company to be held at the Meeting Hall, Level 48, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur on 15 November 2005 at 2.30 pm and at any adjournment thereof.

RESOLUTIONS	FOR	AGAINST
1. To receive and adopt the Directors' Report and Audited Financial Statements		
2. To approve a first and final dividend		
3. To approve Directors' fees		
4. To re-elect as Director, Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin		
5. To re-elect as Director, Mr Cheng Yong Liang		
6. To re-appoint as Director, Y. Bhg. Tan Sri Dato' Musa bin Hitam		
7. To re-appoint Auditors		
8. Authority to Directors to issue shares		
9. Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions		

Please indicate with an "X" how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at his discretion.

As witness my/our hand this day of 2005

No. of shares:

Signed:

In the presence of:

Representation at Meeting:

- A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company. The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or the hand of an officer or attorney duly authorised.
- An instrument appointing a proxy executed in Malaysia need not be witnessed. The signature to an instrument appointing a proxy executed outside Malaysia shall be attested by a solicitor, notary public, consul or magistrate.
- The instrument of proxy shall be deposited at the Registered Office of the Company, Level 46, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the meeting.
- Form of Proxy sent through facsimile transmission shall not be accepted.

